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SIKKIM: COURTIERS AND COLONISTS

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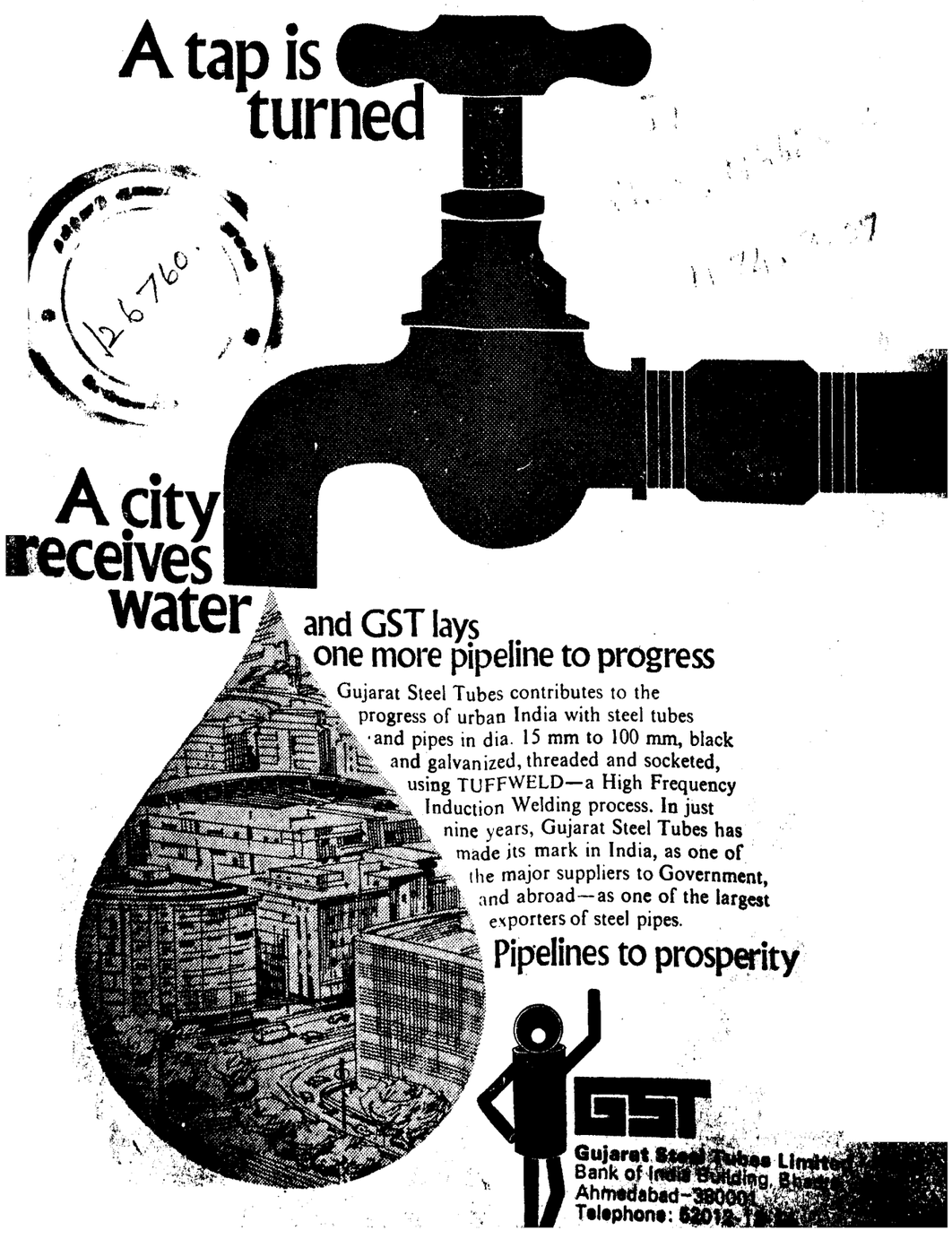
INDO-BANGLADESH RELATIONS

LATIN AMERICA'S INTERNATIONAL OPTIONS

ISLAMIC CONFERENCE

ASSAM: STUDENTS FILL THE VACUUM

ALTERNATIVES IN ENERGY DEVELOPMENT



ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

Vol IX No 27 **July 6, 1974**

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The Vanishing Plan

THE government has set up two committees to consider ways of pruning Plan and non-Plan expenditures so as to ensure that the Centre's budgetary deficit this year does not exceed the level of Rs 125 crores indicated in the Budget. Earlier there were reports that, as an anti-inflationary measure, the Planning Commission had already decided to slice Rs 150 to Rs 200 crores off the public sector Plan outlay of Rs 4,844 crores envisaged in the Annual Plan. All this would suggest that the Budget estimates for the current year have gone so wide of the mark that unless government expenditure is drastically cut or additional resources raised the deficit would be far larger than Rs 125 crores. Indeed, reports indicate that on present trends the deficit may turn out to be in the region of Rs 800 crores.

The estimates of budgetary income and expenditure were presented to Parliament only three months back; the Annual Plan for 1974-75, which was based on the Budget's estimate of deficit financing of only Rs 125 crores, was released even more recently, on May 3. What has happened in the last two or three months to have so completely upset the estimates of the Budget and the Plan? Or is it that these estimates had no basis to begin with and the government knew this to be so even when it presented the Budget and the Plan to Parliament? It had been claimed that the Budget Statements and Demands for Grants for 1974-75 had followed a revised accounting classification, introduced by the Comptroller and Auditor General, which "besides providing management with purposeful accounting information for monitoring programmes will also help Parliament and the public in a meaningful appreciation of allocation of resources and purposes of government expenditures". That the budgetary calculations should have gone so awry within such a short time appears particularly ironic against the above claim.

However, to return to the question: what has happened since the preparation of the Budget to require the pruning of expenditures? On the side of receipts, revenue and capital, the budgetary estimates should, if anything, be expected to be exceeded. First, a very high proportion of tax revenue comes from indirect taxes, the rates of which in almost all cases are *ad valorem*. The continuing inflation should result in higher sale values of commodities even if real output of some of the industries is adversely affected. This is true even of industries directly affected by the oil crisis, such as a number of chemical and petro-chemical industries; most of the major companies in these industries have reported increases in sales ranging from one-fourth to one-third. Import values of petroleum and petroleum products have of course gone up sharply. In any case, the Finance Minister had "assumed some deceleration in growth of revenues from excise and customs" to allow for "the likely adverse impact of the energy crisis". There is, of course, the very real factor of evasion of excise and customs duties. But is it the suggestion that a sharp increase in such evasion is one of the factors behind the current revision of the budgetary estimates?

As for revenue from direct taxes, the one assumption of the Budget which was quite obviously baseless was that the reduction in the rates of income-tax on personal incomes "will lead to better tax compliance, and full disclosures of incomes by all tax-payers" so that there would be no loss of revenue on this account. If the government has now come to realise that this assumption was unwarranted — something which was obvious all along —, this would seem to call for a reversal of the reduction in income-tax rates but would not entail any significant changes in the Budget estimates since, according to the Finance Minister's calculation, the amount involved is only Rs 36 crores in 1974-75 and Rs 60 crores in a full year.

Among capital receipts, market loans in net terms were placed at Rs 498 crores against the revised estimate of Rs 472 crores in 1973-74. In the first instalment of its borrowing the government has already floated loans to fetch a net amount of Rs 238 crores and the balance will no doubt be raised later. As for external loans, the Budget provided for net receipts of Rs 552 crores or Rs 82 crores higher than the revised estimate of Rs 470 crores for 1973-74. Now, according to the government's own assessment, aid prospects have become much brighter after the recent Aid-India Consortium meeting; it has been confidently predicted that the overall availability of aid this year would be about one-third higher than it was last year and that disbursements by the Consortium countries would also be faster. The Budget's estimate of resources from this source should, therefore, be expected to be substantially exceeded.

The sources of finance for the Annual Plan are the budgets of the Central and state governments and the negotiated loans of semi-government bodies.

The resources of the Central government are, as indicated above, unlikely to be lower than estimated in the Budget. The state governments were expected to raise additional resources for the Annual Plan to the extent of Rs 227 crores. Against this, they have already raised Rs 224 crores, even though almost all of them have shied away from fresh imposts on the agricultural sector and have relied mostly on indirect taxes. There is no reason why the negotiated loans of semi-government bodies should be lower than the Budget estimate since they are subscribed to by financial institutions like LIC and banks and the Reserve Bank. There remains the impact of the railway strike on the Central Budget to be considered. However, even if the Railways' negative contribution to the Annual Plan resources turns out to be higher than Rs 50 crores, as estimated in the Plan, the difference will almost certainly be made good by larger receipts on other counts.

On the expenditure side too there have been no developments since the presentation of the Budget calling for any substantial revision of the Budget estimates. It is certainly not the intention of the government to expand the scale of developmental activities and the expenditures on them during the year. In fact the Cabinet Secretary, who heads the committee which is considering ways of economising on Plan expenditure, has admitted that there would be some cut in the aggregate Plan outlay. On the side of non-developmental expenditure, the government is said to be thinking of ways of avoiding payment of additional dearness allowance which has become due twice during the year on April 1 and June 1 in terms of the Third Pay Commission's recommendations. The Budget has provided an amount of Rs 120 crores for the payment of additional dearness allowance and the government should be able to keep expenditure on this score within Rs 30-40 crores of this limit. Likewise, the government has already curtailed subsidies on foodgrains and abolished those on fertilisers.

It would thus appear that the need to prune Plan and non-Plan expenditures has arisen, not on account of any unforeseen developments which have upset the Budget estimates of revenue or expenditure, but because, as has happened every year in the recent past, the government's non-developmental expenditure is threatening to exceed the estimates presented in the Budget. Though, for form's sake, the government is talking in terms of 'economies' in both Plan and non-Plan expenditure, the current exercises will in the end result in a disproportionate cut in Plan or developmental expenditure. The experience of 1973-74 is a clear pointer to what is in the offing. Last year the government had sought to make out that the cut of Rs 400 crores proposed in total government expenditure would mostly fall on non-Plan expenditure; ultimately, however, it turned out that the Plan outlay for 1973-74 had been slashed from Rs 4,364 crores to Rs 3,960 crores or by Rs 404 crores.

The Plan outlay proposed for 1974-75, the first year of the Fifth Plan, is definitely small in relation to the physical and financial targets set for the five-year period. While comparing the Plan outlay of Rs 4,844 crores for 1974-75 with that for 1973-74, allowance has to be made for the following factors: (i) it is based on gross capital formation and therefore includes provision for replacement of equipment and machinery; (ii) it includes cost of construction of residential and administrative buildings, as well as loans to government servants for housing; and (iii) it also includes market borrowings and negotiated loans by semi-government bodies. As against these, the Plan outlay for 1974-75 does not include two items which had earlier formed part of the Plan outlay: (i) inventories of public enterprises and other additions to stocks in the public sector to be financed by bank credit; and (ii) committed expenditure "on account of the maintenance of Fourth Plan schemes completed at the end of 1973-74". As for the first, the addition to inventories of foodgrains is likely to be considerably lower this year. As for the second item, though there is no way of arriving at the committed expenditure on the maintenance of completed past Plan schemes, the Annual Plan's estimate of Rs 500 crores as the expenditure on this count in 1974-75 seems to be grossly exaggerated. It is unlikely that the figure will be anything more than Rs 200 to 250 crores. However, even on its own estimates, the Annual Plan document concedes that, on a comparable basis, the Plan outlay for 1974-75 is only about 13 per cent higher than the revised outlay for 1973-74. And now this is proposed to be further cut.

Despite the cut of over Rs 400 crores in Plan outlay, the budgetary deficit in 1973-74 remained as high as Rs 650 crores, according to the revised estimates. (How this was subsequently reduced is still not very clear.) The government now proposes to restrict deficit financing in 1974-75 to the budgeted figure of Rs 125 crores. The Annual Plan for the year may, therefore, end up with an expenditure no higher than in the previous year — at current prices. What these figures connote in real terms may be judged from the fact that the past two years have seen an increase of about 30 per cent in investment cost, according to the official index of wholesale prices; on the basis of the actual market prices of some key investment goods like cement, steel, non-ferrous metals, etc, the rise in investment cost is much more. Given the rise in the cost of investment, in real terms the Plan outlay in 1973-74 or the likely outlay in the current year is no higher than that in 1965-66. Even if we restrict ourselves to the period since the beginning of the Fourth Plan, the current Plan outlay of around Rs 3,950 crores at current prices gets reduced, with an appropriate investment deflator using the official index of wholesale prices, to an amount of Rs 2,595 crores. Four years ago, in 1970-71, the Plan outlay was broadly of the same order (Rs 2,523 crores). Thus the decade-long stagnation of Plan investment will continue into the first year of the Fifth Plan.

The decline in Plan and developmental expenditures as a proportion of total government expenditure has been frequently referred to in these columns. In respect of the Central government, for which the data are available, the proportion of developmental expenditure to total expenditure was 59.4 per cent in 1965-66 but would be just 46.7 per cent in 1974-75, according to the Budget estimates, or barely equal to that in 1973-74. In fact, the Budget for 1973-74 had envisaged developmental expenditure at 53.1 per cent of total expenditure, but the revised estimates now put the figure at 46.3 per cent. Similarly, the current pruning of the Plan, in the name of fighting inflation, is likely to reduce the proportion of developmental expenditure in 1974-75 to even below last year's level. In terms of capital formation expenditure, the deterioration is even more striking. The proportion of capital formation to total expenditure was 48.3 per cent in 1964-65 but steadily declined to 32.2 per cent by 1971-72 and has continued at that level thereafter. The Budget for 1974-75 puts the figure at 35 per cent, but it is likely to get reduced to around 32 per cent finally.

The prospect of a further cut in the Plan outlay in the current year, below the already unappetising level at which it had been pegged to begin with, has been sought to be sugar-coated with the promise that there would be no reduction in the outlay on projects in the core sector including coal, power, steel, cement and fertilisers; in fact it has been suggested that the outlay on these projects might even be raised above the levels indicated in the Annual Plan. This is, however, another instance of the kind of manipulations which appear to have marked the formulation of the Annual Plan. The fact seems to be that, even without allowing for the price rise during the year, the cost of core sector projects in coal, steel, non-ferrous metals, railways, power and fertilisers included in the Annual Plan have been underestimated to the tune of Rs 250 to Rs 300 crores. The promised increase in outlay on these projects — which will naturally be at the cost of other Plan programmes, especially those in the area of social services — will at best partially make up for the initial underestimation of costs and will not mean any expansion of the physical programmes. Eventually, after the further rise in prices during the year has also taken its toll, the achievements in physical terms in the core sector will lag far behind the aspirations of the Annual Plan, even after the relevant financial outlays are raised.

The petty manipulations of Plan outlays need to be set against the Planning Commission's purple prose about the perspective of development in the Fifth Plan period and ahead which, it had urged readers of the Draft Fifth Plan, "requires both vision and determination and an unshaken faith in the capacity of the country and the people to think and act big. Cynicism, inertia and fear of everything new and bold are alien to it... We must discover ourselves fully ... The nation is surely capable of achieving much more than the modest goals set out above ... The temporary difficulties must not be allowed to cloud our vision and shake our will. We have all the opportunity to create an India of our dreams. Let us seize it with both hands. A great socialist future beckons us irresistibly." Amen.

Sikkim

Of Courtiers and Colonists

THE imposition of Section 144 of the Indian Penal Code was one of the first actions taken by B S Das, the Indian bureaucrat who took over as chief administrator of Sikkim in April 1973. In 1949 too, the last time there had been political unrest in Sikkim, Indian armed forces had moved in to establish law and order. That time it was to maintain the authority of the Maharajah in the face of 'popular' elements. This time the function of the Central Reserve Police has been different — the authority of the 'popular' forces is to be enhanced and that of the Chogyal (formerly the Maharajah) reduced and, if necessary, extinguished.

The leadership of the Sikkim Congress which is said to represent the popular and democratic aspirations of the people of Sikkim is of dubious background. With leaders like the self-styled Kazi Lhendup Dorji of Chakhung — who not too long ago were fawning courtiers at the palace of the Chogyal — at the helm of the Sikkim Congress, it is difficult to discern even any populist ethos in the party. There are some younger and non-feudal elements in the party but they are nowhere in command. The Prime Minister and her advisers are, however, convinced of the need to retain tight control of a 'strategic' frontier area like Sikkim. A coterie of courtiers with the trappings of popular support are now more useful than a lone prince to maintain the facade behind which Indian bureaucrats and brasshats can continue to call the shots.

The question whether the condominium jointly established by Indian officers and the Sikkim Congress coterie will be qualitatively any different from the previous Chogyal-cum Indian civil servant duet can be left to those who can always find fine differences. In substance, the lot of the people of Sikkim is unlikely to be bettered by the 'new' condominium. But the expectations aroused over the last year among the Nepali ethnic majority in Sikkim could quite conceivably lead to the growth of an irredentist movement covering not only Sikkim but also Bhutan (about 25 per cent of whose population is Nepali) and the district of Darjeeling, two of whose five legislators in the West Bengal Assembly are from the Gorkha League which has been demanding special privileges for the Nepalis in India and for the setting up of an autonomous hill district centred on Darjeeling. One of the leaders of the well orchestrated unrest in Sikkim last year was Roop Narayan Dahal, a lawyer from Kalimpong, who is the All-India General Secretary of a faction of the Gorkha League.

The Gorkha League is not known to be close to Nepal's royal regime or to the Nepali Congress emigres in Bihar. Its leadership is more self-assured and purposeful than that of the Nepali Congress and the Sikkim Congress as presently constituted. Therefore, with the establishment of the Sikkim Congress in Gangtok, there are bound to be influences at work with in and on that party from the Gorkha League and from the downtrodden Nepali minority in Bhutan. This may pave the way for a 'Greater Nepal' movement based in Gangtok, especially if the royalists in Kathmandu show no signs of liberalising their regime. Kathmandu's complete silence about the aspirations of the Nepali majority in Sikkim is notable in this context.

Obsessed with the strategic-defence significance of Sikkim, the Ministry of External Affairs which still deals with that territory, is likely to ignore the fact that the colonial short-cut of integrating Sikkim with India could become the short path to creating serious trouble for New Delhi all along the Himalayan frontier. The vote for the Sikkim Congress in April was not necessarily a vote for the integration of Sikkim with India. The Bhotia and Lepcha minorities in Sikkim are already anti-Indian and with integration it will not be long before the Nepali majority also turns anti-Indian, especially because the standard of living of the local population — at present the per capita income is double that of India — is bound to go down with the unrestricted entry of Indian nationals into the territory. The courtiers in the Sikkim Assembly who have passed resolutions for the "participation and representation of the people of Sikkim in the political institutions of India and its parliamentary system" will not be of much use then.

India-Bangladesh Relations

Yet the Only Option

THE Indian Press has not played up — and, for once, wisely — the behind-the-scene drama which marked the descent of Zulfiqar Ali Bhutto upon Dacca. Barely twenty hours prior to Bhutto's arrival, the Indian High Commissioner, who also happened to be the doyen of the diplomatic corps, quietly left the Bangladesh capital after relinquishing charge. He was scheduled to retire, but the general impression was that he would stay on till at least the second week of July. It may or may not be true that the Bangladesh authorities expressed some unhappiness at the particular date he chose to leave. But not even half-a-dozen diplomats were present to see off the doyen of the diplomatic corps. The chief of Protocol of the Government of Bangladesh did put in a perfunctory appearance; however, according to reports, he reached the airport even as the High Commissioner's plane was about to

take off. This, too, might not have been a deliberate slight; nevertheless, the episode does seem to be symptomatic of the climate which at the moment is typical of Dacca.

At the political level, India is still considered worth cultivating, if not as dispenser of assorted bounties, at least as a useful bargaining counter. However, within the bureaucracy and among the population at large, considerable prejudice, rational as well as irrational, has welled up against this country. Much of this may be traced to the failure of the Bangladesh economy to take off, and the consequential urge to spot a scapegoat. Part of the prejudice certainly is traceable to reports of wide-scale smuggling of jute across the border. Bangladesh politicians have exhibited hard-headed commonsense in managing their country's external relations: The prospects of cheap yarn, textiles, sugar, edible oil, rice, wheat, and other consumer goods from Pakistan have been a major factor in the remoulding of popular emotions. The pampered middle class, with vivid memories of their cushy existence during the Ayub and Yahya regimes, has other private hopes too. It has been easy, therefore, for motivated groups to emphasise the 'positive aspects' of a possible rapprochement with Pakistan, particularly amidst the developing disenchantment with India and the near-morbid anxiety about infiltration of Marwari finance capital.

As the date of Bhutto's arrival neared, Sheikh Mujibur Rahman was thus faced with an acute embarrassment. He simply could not afford the reception to the Pakistan Prime Minister to be so gushing as would wash away his own bargaining positions. Hence the re-exhibition on television of old films about Pakistani atrocities, as well as the editorial-mongering in Dacca newspapers on the same theme. Probably, the promulgation of Section 144 was also primarily to keep the pro-Bhutto crowds away. Even so, the reception which the Pakistan Prime Minister and his entourage received was of a kind that would have been unimaginable some months ago; slogans proclaiming goodwill and *bonhomie* towards Pakistan rented the Dacca sky as Bhutto's plane landed.

The Pakistan delegation could not perceive this groundswell of latent sympathy. They decided to play hard; and discussions on issues, such as the division of assets and liabilities between the two nations and the repatriation of the so-called Biharis to Pakistan, have for the present ended infructuously. It is going to be a ding-dong battle from now on, and the Sheikh would have his work cut out: There was never any danger of the Bangladesh population turning pronouncedly pro-Indian — history and economic circumstances would ensure against that — ; on the other hand a gradual softening of attitudes towards Pakistan is altogether more credible because — once Bangladesh's separate sovereign entity has been duly recognised and a seat in the United Nations has been secured — the people may be persuaded that the other outstanding issues between the two nations are easily negotiable. The unusual step which the Sheikh took, namely, to talk of substantive matters at the formal banquet in honour of Bhutto, was therefore more to safeguard his own position and to warn the Pakistan Prime Minister that he will not be taken for granted.

The talks in Dacca have, on this round, ended 'unsatisfactorily'. But the Pakistan Prime Minister knows that the advantage lies with him and that the Sheikh's predicament is altogether genuine. This could provide Indian diplomacy with a lifeline. The Bangladesh leader has no constituency in Pakistan; Zulfiqar Ali Bhutto has one in Bangladesh. To neutralise this asymmetrical situation, the Sheikh, in the short period, has nowhere else to look except toward India. It would thus be prudent for South Block not to give excessive vent to its felt pique over the inadequate send-off to the retiring High Commissioner. The appropriate thing at the hour is to continue the low stance. It may be a heavy cross to bear, but politicians must not forget either the domestic pay-off they have received because of it or the heavy external consequences of any abrupt, impetuous action.

Vanaspati

Cooked Up?

WHEN the government allowed a whopping rise of Rs 180 to Rs 220 per quintal in the controlled price of vanaspati around the middle of last month, it was made out that the production of vanaspati would go up as a result. Vanaspati production had come down from a monthly average of 50,000 tonnes in 1972 to 38,800 tonnes in 1973 and to 35,000 tonnes in January-May 1974. In May 1974, the month prior to the announcement of the price rise, production had allegedly dropped to a mere 25,000 tonnes. It was this continuous decline in production which the price rise was supposed to reverse.

Nothing of the sort seems to have happened. Production of vanaspati in June has reportedly fallen further to 16,000 tonnes, according to industry sources. That the production figure for June should be available so promptly, within a few days of the end of the month, is itself interesting. The industry is apparently anxious to show that the price increase has not been able to arrest the declining trend in production and would like this to be taken as proving its contention that the price rise allowed by the government is grossly inadequate and that the controlled price of vanaspati still does not cover the manufacturers' costs.

Even if there were some truth in this argument, the steep fall in production of vanaspati in June still calls for some explanation. Even the industry cannot deny that the increase in the price of vanaspati allowed by the government, however inadequate, has very considerably narrowed the gap between the controlled price and the manufacturers' costs. The supposed loss that vanaspati manufacturers had been incurring has thus been sharply reduced even if, as claimed by the industry, it has not been eliminated altogether. Yet the industry has cut its production to half compared to the times when it was allegedly making far heavier losses.

The situation is intriguing enough for a question or two to be raised about the veracity of the production figure for June. The market price of vanaspati is much higher than even the revised controlled price. In Bombay, for instance, against the controlled price of Rs 9.62, a one kg tin of vanaspati is not to be had for less than Rs 15. No one will believe that the vanaspati manufacturers do not get a part of this large premium over the controlled price. The customary *modus operandi* is for the manufacturer to sell at the controlled price to a few trusted distributors who then sell at the going market rate and split the difference with the manufacturer. This procedure is followed in other industries such as cement, paper, aluminium and fertiliser. Another way of circumventing price control would be for the manufacturer to understate his production. Only a part of the actual output is disclosed and shown to have been sold at the controlled price; the rest is then available to be sold at the going price. Of course, the latter sale proceeds cannot be shown in the books of the company concerned, but for the majority of vanaspati manufacturers this should present no problems!

It may be pointed out that given the checks on production that exist it is simply not possible for any vanaspati manufacturer to conceal a part of his output. Only the very innocent will be overly impressed by this argument. Is it not well known, for instance, that a large number of industrial units which use raw materials in short supply, such as non-ferrous metals, are able to get their production figures accepted by the concerned government agencies when in fact all that they do is to sell their raw material quotas at high premiums? Similarly, the figures of recent excise duty collections from quite a few industrial products — soap is only one of them — appear to call for a closer scrutiny of the relevant statistics of output. And let no one suggest that in the vanaspati industry itself government regulations, such as the officially fixed price, are not circumvented with the connivance of the government. According to newspaper reports many vanaspati units in Punjab and Haryana have come to an understanding with the authorities whereby in return for making a part of their production available to the government for fair-price distribution, they are "allowed" to sell the rest at the going market prices!

All told, therefore, it is unnecessary to be too impressed by the vanaspati industry's arguments about declining production on account of uneconomic controlled prices. That is not to say, however, that the government has many options before it. The industry is presenting the government with a choice between a further rise in the controlled price and decontrol. Whether the government chooses the one or the other or pretends to get tough by holding the controlled price at the present level, it will make little difference to the price at which the consumer gets his vanaspati.

Small Savings

For the Non-Small Saver

A Correspondent writes:

THE Ministry of Finance is said to be considering steps to make small savings more attractive in the face of the steady erosion of the value of the rupee with a view to ensuring that the Fifth Plan target of small savings of Rs 1,850 crores is reached. The Ministry is, at the same time, concerned about artificial inflation of small savings collections through diversion of savings with financial institutions like co-operative and commercial banks. One of the northern states, for instance, is supposed to have shown a sizeable increase in small savings in 1973-74 by transferring funds from its co-operative banks.

The Fifth Plan target for small savings, as for everything else, was fixed in 1972-73 prices. One should have expected it to be revised to allow for the price rise. However, the Finance Ministry is evidently concerned that even the target of Rs 1,850 crores in current prices may not be fulfilled.

How does the Finance Ministry hope to cope with the problem? Most financial assets, be they post office and bank deposits or provident fund and life insurance accumulations, are earning negative interest rates at present. A straightforward way of countering the impact of inflation on financial savings would be to introduce some sort of indexing. But any suggestion in favour of indexing usually meets with opposition on the ground, firstly, of the alleged insensitivity of household savings to the rate of interest and, secondly, of the serious danger of indexing itself adding on to the inflationary pressures.

Neither of these arguments is difficult to meet, however. The first argument ignores that even though household savings may not be very sensitive to interest rates in the sense that households decide on the amount to be saved regardless of the rate of interest, they may still not be insensitive to the opportunity to earn higher rates of interest (including capital appreciation) on whatever they decide to save. Higher interest rates may, therefore, induce them to hold a relatively higher proportion of their savings in the form of financial assets. As for the second argument, that higher interest payments will add to the inflationary pressures already operating, it can be met by some device whereby payment of the higher interest rates is deferred by, say, about a year — though too long a deferment itself will have to be compensated.

The pundits of the Finance Ministry, however, appear to have already made up their minds on the 'right' step to make small savings more attractive. It is apparently proposed to offer still higher tax exemptions to small savings. Though the justification advanced for this step will be the erosion in the value of the rupee, the real reason, one suspects, is that with the reduction in the marginal rates of income tax the differential in the taxable rate of interest for those subject to the highest marginal rate of tax has been slashed from the unbelievable figure of 220 per cent to only 22 per cent.

This decline in the tax advantage from small savings to those in the higher income levels has, of course, nothing to do with the inflation. To compensate for it by raising the tax concession on small savings amounts to making it possible for the tax-payers to eat the cake and have it too — to pay tax at lower rates and yet retain the tax advantage on small savings intact. To the genuine small saver who gets very little, if any thing at all, out of the tax concessions on small savings the proposed enhancement of these concessions will not increase the attractiveness of small savings. To him the larger tax concession will be no compensation at all for the loss in the real value of his saving because of the inflation.

As for preventing diversion of funds from financial institutions to small savings, is not the Centre itself to blame for what is happening? The whole business of linking a part of loan assistance to the states with small savings collections was wrong. However, the Centre went even further and allowed a part of provident fund accumulations to be put into small savings, thus putting certain states at a clear advantage *vis-a-vis* others. Is it surprising, then, if the latter resort to the type of practices referred to at the beginning to boost their small saving collections?

TDA

Inflation by Duplication

IN its fourth year, the activities of the Trade Development Authority (TDA) appear to have gathered some momentum. Exports of its clients not only nearly doubled, from Rs 23 crores during 1972-73 to Rs 45 crores during 1973-74, but the share of the type of exports it is encouraging to its chosen markets, *viz*, Western Europe, the US, Japan and Canada, has risen considerably. The target of exports of Rs 75 crores which the TDA has set for 1974-75 would in all probability be overreached. However, this would happen not only because of the efforts that the TDA is putting in for its clients but also because of certain other factors.

As the chairman of the TDA, who also happens to be Secretary in the Ministry of Commerce, has reiterated, the TDA was started by the government in an attempt to promote exports through commercial development programmes mainly in the markets of certain selected developed countries. In addition to the work done by the export promotion councils for their clients, the TDA was asked also to offer package assistance to individual exporters which would carry them from the stage of intention to export, through the collec-

tion and collation of information, product development, market research, export finance and assistance, to securing and executing export orders. The primary objective was to induce and organise the medium and small-scale entrepreneurs to develop their individual export capability. But as is wont to happen with organisations that get obsessed with statistical targets, the TDA has forgotten some of its basic objectives.

The clients of the TDA can also concurrently be members of other export promotion councils (EPCs); consequently, what are claimed as export achievements by the EPCs would also figure as export achievements of the TDA. Since the EPCs are generally preoccupied with the big few among their members, the TDA could have played a role in promoting the small and medium-scale units. However, even a cursory examination confirms the impression that almost all the prominent producers of the items of particular interest to the TDA feature in the TDA's list of its clients. Among such big clients are also organisations like the Projects Equipments Corporation (PEC), State Trading Corporation (STC), and Rajasthan Financial Corporation. The PEC and the STC are themselves public sector bodies deeply involved in export marketing activities. Why, then, are they enumerated as 'clients' of TDA?

Such duplication and overstatement of real achievements in terms of basic objectives has become an almost regular feature of the Commerce Ministry's activities. Thus the Ministry announced with a lot of fanfare this year that to remove the supply constraint on exports it had created a new Department of Export Promotion headed by a full secretary. In consultation with the other economic and industrial ministries, the department was to ensure expansion of the production base to increase the availability of the items of export. It was expected to do much of the lobbying required to obtain the production licences, secure priority allocation of raw materials, domestic and imported, and also ensure the availability of imported machinery and capital goods required for export production. But the TDA too is supposed to be doing a number of these tasks, some of which also fall within the purview of the various EPCs.

The idea of TDA as conceived was unexceptionable, except for the fact that it evidently failed to take into account the other institutions already in the field and to ensure that the TDA's focus was on just a few producers. A TDA-type organisation each for different export products so that export promotion for the smaller producers would get underwritten may better meet the requirements of the situation. The present structure and working of the EPCs leaves much to be desired. If the government is really serious about export promotion, it needs to take a comprehensive view of the export effort required for the more important export products.

Two Tehsils in Maharashtra

Part of the Pattern

A Correspondent writes :

SITUATED near the Madhya Pradesh border, Melghat and Achalpur tehsils of Amravati district are yet to come out of their feudal past, in spite of flourishing cotton cultivation and orange orchards and improved food production. Land distribution in both tehsils is highly skewed, particularly in Achalpur.

Achalpur has a sizeable landholding population of about 34,000 and Melghat of about 9,000. More than 60 per cent of the arable land in Melghat is devoted to food production, though in recent years there has been some shift of land from food to cash crops. Achalpur, on the other hand, has a growing cotton cultivation and orange orchards, which make the region relatively prosperous. According to the 1971 Census, Melghat has the highest proportion of tribal people in the population among all the tehsils in Amravati — 73.6 per cent. In Achalpur, however, the tribal population is hardly 11,000 in a population of 2.60 lakhs.

Despite these differences in the nature of productive activities and the composition of the population, the plight of the landless workers and poor peasants in the two tehsils is broadly similar. For the landless labourers farm work is the only available source of employment, and that too from July to December with occasional breaks. During the slack season, the rural poor survive on marginal activities like wood-picking or they starve.

Lack of organisation of the peasants and the existence of a vast reserve of army labour enable the rich farmers to force the labourers to work at subsistence wages. A male labourer cannot earn more than Rs 2.50 per day and for women the maximum wage is Rs 1.50. Children get still less. The following is the general range of wages:

	Maximum Rs	Minimum Rs
Men	2.50	1.50
Women	1.50	0.75
Children	1.25	0.75

In Melghat there is a class of contract labourers, known as 'saldar majdoor'. The saldar commits himself to working for a particular farmer for a yearly sum of Rs 150 to Rs 200.

Given their meagre wages and long spells of underemployment and unemployment, the rural poor are forced to borrow in order to survive. These loans are taken at exorbitant rates of interest. In Achalpur and Melghat interest rates between 50 and 150 per cent are quite common. Lands, livestock and even utensils are forcibly confiscated by the moneylenders from defaulting peasants. In fact, moneylending has been a major source of transfer of land in this region — so much so that in places like Melghat 'sahukars', meaning moneylenders, are often synonymous with 'big landholders'. Some years ago, after a famine in one of the villages of Melghat, the government auctioned lands of peasants whose rents were in arrears. In auction 50 acres were sold for Rs 25 — and the buyer was none other than the village Patel!

The pattern is the familiar one: low wages as a result of backwardness and unemployment drive the impoverished peasantry into the hands of the moneylenders; the loans they take at usurious rates of interest keep them in permanent bondage and keep wages at starvation level.

The government has recently introduced some schemes supposedly for improving the peasants' condition. In Achalpur a cotton scheme has been mooted with the blessings of the World Bank to increase cotton production. Poor farmers and landless farm workers are expected to benefit from the fallout of this project. For Melghat also, some such projects are being planned. However, the poor peasants and the vast mass of landless are sceptical about these schemes. Their reservations are more than justified because of the hold of the landholders and moneylenders over the social, political and economic system which is such that they will skew the distribution of benefits of any scheme, however successful, in their own favour.

Calcutta Diary

A M

SOMETIMES one does not feel like writing about a fact, because by the very act of writing one confirms that fact. Daniel Thorner said a quiet goodbye, a couple of weeks ago, in Paris — one quarter the world away from his native United States, one quarter the world away also from his other home, India. This should not have been allowed to happen. One wishes he could be persuaded to return to those noble United States of America, of whose great liberalism he was such a flaming heritage. Something had however snapped. The wonderfully generous man was also an intensely bitter man within. Joe McCarthy's wayward America had shoved him out in those hazy early 1950s. Daniel Thorner lived just long enough to see the ordinary decencies gradually return to the American establishment. One would have understood his impish pleasure at the re-awakening of the American commonsense. He, no doubt, was having great fun now that the impostors had begun to receive their just deserts. But he was a proud man. He would not go back.

Stories which are not written are, more often than not, the stories of private courage. Heroes are not the ones on whom newspapers expend their column-inches. They are a different genre. They embrace a principle, cling to it, live by it. Daniel Thorner was a man of principle, a man of enormous character: Joe McCarthy and his clime could not cow him down. To him, the bully was a bully, be he an honourable member of the United States Senate, or the Vice-President of the nation. If he had, for example, once upon a time known Owen Lattimore, broken bread with him, Daniel saw no reason for not owning up to that fact. At both Columbia and Philadelphia, he had, in his time, come across several other 'security risks'. He could not care less for the consequences: a man of character does not rat upon his friends. He would rather chuck his job, walk out, if need be, go to prison. The Dashiel Hammetts and the Daniel Thorners made up that other part of America's political and social history of the post-World War II decades: a history which is no less true simply because few talk about it.

You can interpret it either way: that Daniel Thorner was pushed out, or that he himself took the initiative to say boo to the hysteria at home and sail away. Whichever way it was, the grit of the man came through. Why did he come to India? Because his graduate research was on a theme concerning India? Because he had spent the major part of the war years here? Because he took Tagore at face value and was thus assured that this was the land where the mind could be without fear and the head could be held high? Because it was where most of his friends were? At this distance, it is idle to speculate on the factors underlying his decision. He came, bereft of funds, but loaded with integrity.

It would now be a trivial thing to state that he loved India and Indians. He *adopted* India: history will be incapable of recording a more remarkable empathy. There he was, Daniel Thorner, the scholar who was also an activist, up and down, jumping, shouting, arguing, calling a fool a fool to his face in case the fool also happened to be a crook; Daniel Thorner unravelling the sociology of the economics, the capitalism in the socialism, separating the grain of candour from the chaff of verbosity; Daniel Thorner with his zest and intensity, his bewitching smile and eyes constantly rolling in mock wonder, his magnanimity and a hundred kind gestures, his rudeness and plain speaking which could demolish, at one stroke, stodgy, hitherto-secure reputations. It was a total identification with the Indian milieu. He gave as much as he took. He took because nobody, he assumed, would question his prerogative to give back. He, after all, was an Indian, as much as, if not more than, that charlatan next door, who expiated on poverty while unabashedly making his millions. He took it for granted that, having made that difficult, lonely migration from the now-no-longer liberal United States to the pristinely liberal India, he would be taken for granted, and there would be no characters around to question his credentials.

He was wrong, as he was on many other occasions in life. Meanmindedness has no particular nationality. Daniel Thorner arrived in India in the early fifties, somewhat short of funds, accompanied by a family each of whose constituents was as brave and full of compassion. But it was not a tranquil existence. He loved, lived and battled for India. A few over here thought his expressions of exuberance as belonging to the species of the presumptuous. A few others took it that this man, financially so much out on a limb, was available for exploitation. Some were condescending, some were suspicious of his headlong rush to radical prescriptions. It would have been futile to point out to them that the fault did not lie in the shape of Daniel Thorner's mind, but in the structure of the polity they themselves were directly responsible for.

Daniel Thorner could be forgiving. Perhaps he had exhausted most of his bitterness on the knaves back home in America. About the Indians who would not want him around, would not want him to poke his nose into the the distribution of water from the Sarda Canal or the hocus-pocus of the co-operative societies fattening themselves at the expense of the hapless rural poor, he preferred most times to keep quiet. For, by then, he had developed a fiercely protective form of patriotism, something which was never evident in his attitude toward the United States. In case there was company, *foreign* company, he would refuse to run down India, his native land; on the contrary, he would have a ready explanation for every folly indulged in, and every sin committed. The biting words would come out when only compatriots were around: comrades, we call this self-criticism.

Despite all that, he could not arrange for his victuals in India. Hence Paris. It was an awkward equilibration, an expatriate in Europe, but it was as an Indian, not as an American, that, one suspects, he felt the pangs of his state of exile. Which would be why he would, all the while, be looking for pretexts to return to India, even if it be *en route* to altogether far-fetched destinations. For Daniel Thorner, all roads led to India — and through India.

He had strong likes and dislikes. One dares say he too evoked equally strong likes and dislikes. He could not forsake Indians, for they mattered to him. And just as there was no dearth of men, in Bombay, in Delhi, or in Calcutta, who would give continual expression to their deeply felt malice toward him, there were many others who could never forsake him. Daniel Thorner grew on you. At least to a few, he was good expiation for their often irrational, nearly rabid anti-Americanism. Such people who used Daniel Thorner to salvage their own conscience hardly deserved any sympa-

thy. For much larger numbers, Daniel Thorner was what he was: the quintessence of integrity and basic human virtues. His nationality was irrelevant: whether he was hounded out of America during the mad days of McCarthy or was the victim of some pretty abominable manners in New Delhi or Bombay became, after some time, so much minutiae — as Daniel would transcend each of these.

These are difficult lines to write. In the final analysis, the passing of a friend is always an intensely personal loss. One's ideologies and predilections are relevant, but they are relevant only insofar as they are instrumental for ushering in, howsoever partially, a climate of circumstances. These circumstances enable people to draw close and get to know each other. The rest is severely personal. Bonds of loyalty and affection are phenomena which defy analysis. Despite William Butler Yeats, it is impossible to remember all those renowned generations, it is impossible to remember all that have sunk in their blood, all that have died on the scaffold, or, for that matter, all that have fled, or stood and standing took death like a beat on an old tambourine. It is however equally difficult to assert that all that is finished will, and ought to be allowed to, fade. The memory of Daniel Thorner, whose body gave up its last resistance in Paris last month, will not fade. For it is an intensely personal memory. To allow it to fade is to permit a part of oneself to die. One had rarely met a greater Indian than Daniel Thorner. One should have the civility to add, or a greater American either. A nation is made up not just of the Joe McCarthys; the Norman Browns and the Daniel Thorners are as much a part of it. The part is never greater than the whole, but it is the parts you choose to own which matter most of all. Many Indians came to own Daniel Thorner, and he them. This is not a tribute, but a confession. And Daniel hated long goodbyes.

CAPITAL VIEW

Diplomatissimo

Romesh Thapar

THE way this Kachchativu business was settled with Sri Lanka was such a delight. No speculation. No leaks. No wrangling. Just wake up one morning and read about it. The rantings of the Jan Sangh, against this background, deserve the contemptuous reaction they receive. Obviously, this matter was handled at higher levels than the Foreign Office — probably at the Prime Minister's level.

If Kachchativu is a bright spot in our handling of affairs, the Sikkim crisis is not. To the moment of writing this, when everyone appears to be in disarray, sought to be covered up with exaggerated posturings, no coherent explanation has been given of what actually happened to persuade the Chogyal to turn obstructionist to the necessary democratic transition in this Himalayan outpost. Or, maybe, it is just a question of 'second thoughts' sparked off by foreign adventurers. Whatever the scenario, it needs telling.

These two contrasting comments are necessary if only to highlight the sad and tattered state of our foreign service and our representation abroad. Whatever the merits of a Swaran Singh, he cannot possibly make up for the lags in official functioning that damage our credibility abroad and encourage snide comments about 'those Indians'. Nor can we indulge in the usual and commonplace rationalisation that the foreign service does a remarkable job "considering the prevailing conditions of work and pay". The time has come to carry out a major reorganisation — and a purge, if need be — of the service inherited from the days of Jawaharlal Nehru. Here, again, no short-cuts will yield results.

Even within the foreign service, one can discern the beginnings of an introspection. A small corps of officers, equipped with diplomatic small-talk and the sophistication that goes with it, and a vast army of clerks, variously trained but with an eye on making as much as they can, constitute this pseudo elite corps. If the *status quo* persists, we should soon be appointing the clerks to represent us. A brilliant, outstanding clerk has his uses, but diplomacy requires other dimensions. Promotion by seniority alone is the death sentence for any service, particularly one dealing with international problems. Decorated promotion for real talent and fresh blood, are vital.

Something of the blurring of perspectives can be seen in the preparations for building economic expertise in the foreign service — a vital element in our diplomacy these days. Short courses at the Commerce Ministry, a course or two at some institute of economics and, behold, we have an Economic Counsellor. Those businessmen who have had to deal with our diplomatic outposts tell a traumatic tale of incompetence, delays, and incomprehension. Occasionally, a bright fellow pops up and cuts his way through the bureaucratic bally-hoo, but he is a 'specimen' not to be advertised as a model — and the 'confidential report' on him probably says as much.

One could sympathise with the officer cadre of the foreign service who groan about the favourites from outside — the defeated politicians and the boot-lickers who wend their ways to top diplomatic assignments. But, then, where are the men from within the service? So few, indeed, that you can count them on your fingers. Actually, the speculation in South Block these days is about an 'outsider' for Foreign Secretary. When that happens, the time will have come to move the Foreign Office cadre to patriotic tasks within the country!

Not a few have tried to discover positive points in the functioning and the precedents by which the Foreign Service fulfils its role, both as representative of its country and as an efficient service for visiting Indians who need specific assistance that only an embassy can provide. The story, somewhat unkind, suggests that Air India does a better job of looking after visitors. The lazy attitudes which pervade the Foreign Service are best seen in the archaic rules and regulations by which the embassies function. Admittedly the 'babu culture' is not an exclusive preserve of any single arm of government; it gets deeply etched into areas where local babuism has not triumphed as in India.

There's little point in getting over the impending crisis by extending the terms of a variety of functionaries at the Capital and in various world Capitals. This is precisely what is being done, and on the flimsiest of excuses. The time has come to let the crisis build so that solid thinking on restructuring can be done, or else we will never think. Alternatively, we will drift along until we find ourselves in a morass from which we cannot extricate ourselves. Then, we will start screaming.

Yes, here is a tidy little operation which can be undertaken. It is not like attempting a reorganisation of the system atop which the Government of India festers. Will someone stir, or are we all happy to rot slowly, diplomatissimo?

Rescued by Decontrol

Hansavivek

GOODYEAR INDIA, which paid a dividend of 20 per cent and also issued bonus shares on a one-for-one basis last year, is skipping dividend for 1973. The year's results have been extremely poor, with net profit plumetting from Rs 203 lakhs to a mere Rs 17 lakhs. This outcome occurred following only a 12 per cent shortfall in net sales. The profit erosion was mainly due to inflation which brought substantial increases in manufacturing costs with no corresponding increases in selling prices. Although the factory at Ballabgarh in Haryana operated under the constraints of power cuts, irregularities in supplies of coal, shortages of several raw materials and labour problems which entailed closure of the plant for a period in July 1973, production could be maintained at the 1972 levels. However, sales were lower because of the reduced availability of industrial rubber products and accessories from outside sources. The redeeming feature of the report is that the company achieved record production in last December and the output trend has continued to be encouraging since then. Profitability suffered in the first quarter of the current year owing to "unprecedented" rise in the cost of raw materials, but the picture has vastly changed since the decontrol of prices of automotive tyres and tubes from April. The directors foresee improved prospects for the current year, if raw material and power supplies are not greatly restricted. The company's foreign exchange earnings amounted to only Rs 39 lakhs while the c i f value of imports of raw materials, components and spare parts and capital goods and expenditure in foreign currency on account of technical fees, commission on exports and interest aggregated about Rs 95 lakhs. Besides, the amount remitted in foreign currency on account of dividends for 1971 and 1972 was Rs 45 lakhs. It may also be noted that the interest expenditure does not include about Rs 24 lakhs paid in local currency on loans obtained in foreign currencies from ICICI.

HOECHST DYES AND CHEMICALS' production of polyvinyl acetate dispersions declined to 1,736 tons in 1973 from the previous year's level of 2,277 tons owing to non-availability of the principal raw material, vinyl acetate monomer. The price of this raw material also increased considerably as a result of the oil crisis and the company promptly jacked up selling prices. Sales of dyestuffs and textile auxiliaries, refrigerant gases and high density polyethylene were higher compared to

The Week's Companies (Rs in Lakhs)

	Goodyear		Hoechst Dyes		Warner-Hindustan		Bayer India	
	Latest Year 31-12-73	Last Year 31-12-72	Latest Year 31-12-73	Last Year 31-12-72	Latest Year° 30-11-73	Last Year† 30-11-72	Latest Year 31-12-73	Last Year 31-12-72
Paid-up capital	508	254	90	50	128	128	360	360
Reserves	488	776	79	90	177	154	368	322
Borrowings	467	550	49	134	127	136	174	214
of which Term Borrowings	420	432	—	—	50	56	165	200
Gross fixed assets	1611	1492	83	64	283	253	765	698
Net fixed assets	826	848	42	30	169	150	419	432
Investments	—	—	—	—	—	—	2	2
Current liabilities	519	397	429	279	98	51	299	191
Current assets	1118	1069	602	520	360	319	780	653
Stocks	753	667	210	117	233	212	375	307
Book debts	324	397	349	368	126	102	319	249
Net sales	2585	2933	2529	2338	602	648	1549	1296
Other income	5	35	41	18	5	4	34	25
Raw material costs	1568	1408	2257	2073	147	160	756	615
Wages	267	228	75	59	93	98	173	162
Interest	55	73	4	8	11	11	15	22
Gross profit (+)/loss(—)	161	358	129	116	125	136	376	286
Depreciation provision	144	155	7	5	22	24	64	54
Tax provision	—	—	89	87	63	70	198	77
Net profit (+)/loss(—)	17	203	33	24	40	42	114	155
Development rebate provision	10	120	3	—	3	3	7	1
Transfer to reserves	10	12	19	12	18	20	35	82
Dividend								
Amount	E —	71	E 11	12	P 1 E 18	1 18	E 72	72
Rate (per cent)	E —	20	E 12	25	P 5 E 18	5 18	E 20	20
Cover (times)	—	1.17	2.72	2.00	2.00	2.22	1.50	2.14
Ratios (per cent)								
Gross profit/sales	6.23	12.20	5.10	3.42	20.36	21.00	24.14	22.07
Net profit/capital employed	1.16	12.85	15.14	18.76	9.26	10.05	12.63	17.30
Inventories/sales	29.13	22.74	13.80	15.74	38.70	32.59	24.21	23.68
Wages/sales	10.33	7.77	2.96	2.47	15.44	15.12	11.17	12.50

° 11 months † 12 months

the previous year. Orders booked for polyester fibre too showed a sizeable increase. Total exports rose from Rs 7 lakhs to Rs 27 lakhs. Margins looked up and net profit was a third better compared to the previous year. Dividend, reduced from 25 per cent to 12 per cent on the capital enlarged by a bonus issue, claimed slightly less than in 1972 and found a better earnings-cover. The shares offered to the public were allotted in January last and are not eligible for any dividend for 1973.

BAYER (INDIA) has received an industrial licence for expansion of capacity for manufacture of chloroquine phosphate, from 4 to 12 tonnes, on the condition that manufacture of the expanded capacity will be from a more basic stage and based on indigenous raw materials. The enhanced production is expected to start during the second half of this year. Government has also approved the capital goods to be imported for the expansion projects of rubber chemicals and pesticides. The rubber chemicals project will cost about Rs 3.5 crores and the pesticides project Rs 2.5 crores. The company is well placed in respect of its requirements of raw materials. Sales in the current year have been some 35 per cent higher than in the same period last year. The price of the company's share had been rising consistently on expectations of the announcement of an issue of bonus shares at the annual general meeting; but the price fell sharply on the eve of the meeting. The chairman, B M Ghia, assured shareholders that the board would consider the question of issue of bonus and 'rights' shares and decide in three or four months. The company has fared very well during 1973, with higher sales and better margins compared to the previous year. Net profit, however, turned out to be lower owing to increased tax liability. The tax provision of Rs 198 lakhs includes Rs 155 lakhs towards the surtax liability. No provision had been made for surtax in the previous year. Dividend is maintained at 20 per cent. Ninety per cent of the distribution will be exempt from tax. The company has not been given extension for continuing its indent business beyond July 1973.

WARNER-HINDUSTAN has submitted a revised proposal for issue of bonus shares on a three-for-ten basis, as its earlier proposal to issue these shares in the proportion 1:2 was turned down by government because the residual reserves after the proposed capitalisation did not meet the 33-1/3 per cent test laid down in the revised gudelines for bonus issues. The company's latest accounts relate to a period of 11 months ended November, and therefore are not strictly comparable with the previous year's figures. Even though, on a 12-month comparative basis, the company's sales and profits showed a moderate growth, margins have been slightly depressed. Inflationary pressure and power shortage apart, what restricted the company's growth was a 59-day strike at Hyderabad. Dividend has been repeated at 18 per cent and is covered twice. The ratio of inventories to sales increased considerably over the previous year. The company increased exports from Rs 10 lakhs to Rs 12 lakhs. A large quantity of 'chiclets' was exported for the first time from India.

WG FORGE AND ALLIED INDUSTRIES' public issue of 13.80 lakh equity shares of Rs 10 each at a premium of Rs 2.50 per share has evoked a good deal of interest among investors. The issue is being made to raise part of the funds required for the Rs 284-lakh project to expand capacity for forgings by 4,000 tonnes by the 'pour forge' process and to undertake manufacture of 12,000 finished crankshafts per annum. The public issue will bring down the shareholding of Wyman-Gordon of USA to 39.4 per cent. The crankshaft project is expected to be completed by mid-1975 and the 'pour forge' project by the end of that year. The 14-year-old company, formerly known as 'Wyman-Gordon India', has an impressive past record of sales, assets growth, profitability and dividends. Over the last five years ended December 1973, turnover expanded from Rs 3.63 crores to Rs 9.14 crores, gross block from Rs 2.78 crores to Rs 6.99 crores, gross profit from Rs 89 lakhs to Rs 202 lakhs and profit after tax from Rs 49 lakhs to Rs 77 lakhs. Dividend, paid at 10 per cent for the first four of these five years, was stepped up to 15 per cent for 1973 on capital enhanced by issue of bonus shares on a three-for-four basis. Reserves as at the end of 1973, after the bonus issue, stood at around Rs 158 lakhs against the paid-up capital of Rs 175 lakhs. The present installed capacity is 11,000 tonnes of forgings per annum. The company expects to produce 12,000 tonnes of forgings in 1974 and to achieve sales of about Rs 15 crores and a gross profit of Rs 2.84 crores. At full capacity, after implementation of the two projects, sales and gross profit are expected to be around Rs 26 crores and Rs 5.60 crores, respectively. Out of the present issue, 1,60,000 shares have been reserved for allotment to LIC, 80,000 shares to UTI and 3,00,000 shares to directors and employees of the company. The public is being offered 8,40,000 shares. The subscription list will open on July 24 and close on August 2 or earlier, but not earlier than July 27. An unusual and welcome feature of the issue, managed by FNCB, is that it has not been offered for underwriting.

JAYANT VITAMINS, which recently commissioned its vitamin C plant at Ratlam in MP, has planned a programme of expansion and diversification which, when implemented, will considerably enhance its profit-earning capacity. The present licensed capacity of 143 tonnes of vitamin C per annum is being sought to be doubled to help bridge the gap between the country's total requirements and production. The company also intends to set up an edible protein plant with an annual capacity of 300 tonnes at a cost of about Rs 70 lakhs. Meanwhile, manufacture of sorbitol is expected to commence by October next. Of the total annual production of 1,200 tonnes, nearly half would be supplied to outside parties and the balance would be retained for captive consumption. It is also intended to undertake, in course of time, manufacture of glucose for the company's own requirements. The quality of vitamin C produced by the company has been found to be very good, and the company is seeking an upward revision of the selling price.

UNIVERSAL CANS AND CONTAINERS is offering 1,35,000 equity shares of Rs 10 each at par, through a prospectus, to raise part of the finance required for its Rs 49-lakh project for manufacture of 18 million aluminium collapsible tubes per annum. The project is being located at Taloja, lying in a 'backward' area of Maharashtra, where the company will be entitled to a special incentive from government. Part of the machinery is being imported from West Germany. The project is expected to go on stream by October or November next. The management expects the company to pay a maiden dividend for the year ending September 1976. The subscription list will close on July 22 or earlier, but not earlier than July 15. The public issue is managed by FICOM. The board is headed by S M Dahanukar.

FROM OUR CORRESPONDENTS

MAHARASHTRA

Vindictive Turn

THE Maharashtra government and its employees, numbering over two lakhs, are once again locked in a confrontation. In a symbolic protest against the vindictive attitude of the government and its attempt to divide the employees, the state government employees staged a 48-hour 'dharna' from the evening of June 21 in front of government offices all over the state. In Bombay the 'dharna' was staged at Chowpatty, not far from the Chief Minister's residence.

The 'dharna' expressed the strong resentment among the state government staff against two recent decisions of the government. The government has decided to treat participation by its employees in the nation-wide one-day token bandh on May 15 in support of the railwaymen's strike as constituting a break in service. This decision has serious consequences for the employees; at one stroke, it wipes out their entire past record of service. Second, the government has revived its decision, taken in November 1970 but held in abeyance, to grant two additional increments to those who did not participate in the 12-day strike of state government employees in November 1970. The non-strikers, who number about 15,000, are to get advance increments with retrospective effect from November 1970. The amount of the two increments is proposed to be credited to the provident fund accounts of the employees. The arrears on this account are also to be credited to the provident fund accounts.

Apart from the withdrawal of the vindictive decision of the state government, the other main demands of the state government employees are security of service for 80 per cent of class III and class IV employees who, despite long years of service, are still regarded as 'temporary' workers. Their temporary status means that they can be discharged without notice and without any reasons being assigned. They are also not eligible for pension, gratuity or retrenchment compensation. The Confederation of State Government Employees has also demanded that those government employees, numbering over 60 per cent of the total, who do not today get any house rent allowance should be paid this allowance. It has also been demanded that the minimum wages of class IV employees, which are now Rs 189 per month, should be raised to Rs 250. It is pointed out that the counterparts of class IV employees receive Rs 220 per month in the State Transport, Rs 250 in the State Electricity Board and Rs 240 in the Bombay Municipal Corporation. Similarly, it has been demanded that the class III employees' minimum salary, now fixed at Rs 250 per month, should be raised to Rs 400

It is significant that the state government's decision to give two advance increments, taken as far back as in November 1970, should have been revived after the railway strike. In the last four years the government had postponed the implementation of the decision more than ten times, following agitations by the employees' organisations. Even Rajni Patel had, soon after his appointment as president of the Bombay Pradesh Congress Committee, warned the state government against reviving the decision to grant two supplementary increments to the non-strikers. The revival of the decision is clearly a part of the government's new policy of toughness towards labour. This time there have been no protests, from the BPCC president or any of the other 'Leftists' in the Congress.

The vindictive attitude of the government is brought out even more clearly by the decision to treat participation in the bandh on May 15 in support of the railway strike as constituting a break in service. This was by no means the first instance of such action by government employees. In April 1970 almost all non-gazetted employees of the state government had resorted to a one-day mass casual leave in support of their demands. This was followed by a three-day mass casual leave in August 1970. Then followed the 12-day strike in November 1970. More recently, on April 9, this year the employees observed a one-day mass casual leave to press their demand for dearness allowance at the Central government rates and other benefits like house rent allowance. In all these cases the employees' absence was treated as leave without pay and condoned as part of legitimate trade



union activity. The question then is : what happened between April 9 — the date of the mass casual leave — and May 15 — when the government employees participated in the nation-wide one-day bandh — to explain the government's decision to treat the latter action as constituting a break in service?

The various associations of state government employees formed themselves into a Confederation in 1962. Although the organisations of state government employees as well as the Confederation have deliberately remained aloof from the trade union politics of the political parties in Bombay and in the rest of the state, their strength and unity have grown. The decision to treat participation in the May 15 bandh as a break in service and to give two additional increments to non-participants in the November 1970 strike is an attempt to warn the employees that their association with the organisations of government employees and with their Confederation is being taken seriously and is fraught with serious consequences for them in terms of their prospects of promotions, etc. It is also an attempt to divide the employees, by rewarding those who will not take part in trade union activities and punishing the others.

ASSAM

Students Fill the Vacuum

B K Bhattacharyya

THE vacuum created by the inaction of the established political parties in Assam has been sought to be filled by students who have been carrying on an agitation based on a 21-point charter of demands. The demands are divided into long-term and short-term ones, but have little to do with specifically student or educational problems. The usual demands for job-oriented education and overhauling of the education system have been voiced as part of more general demands. This has expected attracted the charge that the students' agitation is 'politically-motivated'. The students have not shied away from the charge, but have quite openly emphasised their social and political role.

The long-term demands of the students include the establishment of a socialist economy, nationalisation of all foreign capital and state trading in all food articles. The students have also demanded an end to eviction of peasants — the so-called 'squatters' — from the lands on which they have been living and the rehabilitation of those already evicted. In particular, the students have taken up the issue of the eviction of peasants from the Doyang Valley Reserve on the Assam-Nagaland border. During the eviction operation there, many excesses were committed by the police. The students have demanded an inquiry into the circumstances of the death of a girl, Nilima Bora, who had been ill and who died following the eviction operation. Another demand of the students is that measures be taken to stop the unchecked immigration into the state. The people of Assam have for long regarded this immigration as the cause of their being deprived of land, jobs and business opportunities. It has even been suggested that, like the Bhotiya-Lepchas in Sikkim, the numerically weak Assamese might be politically overwhelmed and deprived of economic opportunities by the immigrants. Other demands of the students include industrialisation, flood control and the setting up of a large oil refinery near the source of oil in Upper Assam.

But it is really over the demand for public procurement and distribution of foodgrains that the movement has really gathered momentum. A weekly ration of 3 kgs of rice at the rate of Rs 1.20 per kg and 2 kgs of atta at the rate of 75 paise per kg to every adult, to be distributed through the co-operatives and fair-price shops, is the students' main demand. The price stipulated by the students is 40 paise per kg lower than even the controlled price; the current blackmarket price is over 250 per cent higher. Similarly, the ration quota demanded by the students is 4 times the present quota. Other related demands include distribution of essential items like salt, oil, dal, potato, onion, kerosene and paper at subsidised prices.

These demands have made such a great impact because of the government's failure on the food front. The rice trade take-over launched in November 1973 was aimed at replacing the 600 or so wholesale traders by an equal number of co-operatives. The responsibility for procurement had been entrusted to the FCI and the State Apex Marketing Co-operative. The procurement for kharif cereals was fairly successful, falling short of the target of 20 lakh quintals by only 3 lakh quintals. Yet there was acute rice shortage by May. While the co-operatives were unable to maintain normal supplies to the rationed areas, rice disappeared from the free market following a government-backed public dehoarding campaign in which the students also participated. Even the good rabi crop did not save the situation and the state had to seek special quotas of atta from the Centre to ease the rice scarcity. The population in the rationed areas is now living on a rice-atta diet, which is not at all popular.

What has angered the people most of all is the impotence of the established political parties and political institutions. The Assembly meets and passes resolutions. These have become non-events. Ministers talk of tomorrow, not today. The newspapers, while they try to curry favour with the public, resort to cliches to obscure the truth. It is now widely accepted that democracy is often better served by movements outside the established political institutions. The student movement has given expression to the people's dissatisfaction with and anger against the government more effectively than anything done by the political parties.

The state Chief Minister, S C Sinha, had taken a liberal attitude to the students' movement till May. Two subsequent developments, however, changed the government's attitude to the movement. The railway strike convinced the government about the effectiveness of strong-arm methods. Secondly, the Chief Minister began to suspect that his opponents in the Congress and some opposition parties like the SP and the CPM were behind the student movement. He entrusted some of the colleagues with responsibility of weaning away backward class students from the All-Assam Students' Union (AASU). He also cautioned the Opposition and Congress MLAs against the potential danger of the wrath of the students being directed against them, as had happened in Gujarat and Bihar. Two Congress MLAs, Rebati Das and Birenram Phookan, were suspended for signing a declaration supporting the students' charter of demands, even though they claimed that they had done so under duress. In the meantime, Congress dissidents began to surface under the leadership of Biswadev Sarma, a ex-Minister and a Congress high-up. They held an open convention at Nowgong a month ago and for this they were able to obtain messages from Fakhruddin Ali Ahmed, Union Food Minister, and Moinul Haque Chaudhury, former Central Minister. The situation faced by S C Sinha is similar to that faced in 1970 and 1971 by the-then chief minister, M M Chaudhury, now Governor of Punjab. Sinha has the support of the Assembly Congress party but cracks have appeared in the party organisation. Many of his old comrades are dissatisfied with the way the government is functioning. There are many failures to which they can point. Food is one. The 'garibi hatao' programme is another. And, above all, there is the students' agitation.

All this apparently convinced the Chief Minister that unless the agitation was dealt with firmly, his regime might be threatened and his opponents in the Congress party might stage a coup. The five-day student satyagraha from June 7 to 12 was marked by two instances police firing in one of which two school boys, belonging to the backward classes, lost their lives. A large part of the state was put under curfew and police resorted to lathi-charges on flimsy pretexts. The show of force was repeated on June 25 when the students observed a bandh in protest against police repression. The bandh was only partially successful because of the tardy response to the call given by the AASU leadership from some sections of students. But the day was marked by a grave incident in the University campus. The government used the police force to keep road transport buses running and to put pressure on shopkeepers to keep their shops open. The students protested against this and obstructed some buses from plying. Later these buses were released and at that stage the police should have withdrawn. This did not happen. Instead there was a raid on the students' hostels. Residents of one of the hostels were mercilessly beaten. One student received serious injuries. This happened right in the presence of the Vice-Chancellor, who was a helpless witness to the tragedy.

Many student leaders are now under arrest. Most of them were arrested without warrants. The government is apparently determined to continue its policy of repression. However, the food and price situation remains precarious and so the students' agitation will continue to attract popular support. Secondly, dissidents in the Congress party are waiting for the opportunity to use the agitation for their own purposes. They have already despatched a delegation to New Delhi to present their grievances to the Congress High Command.

It may be too early to say whether the Assam agitation will assume the proportions of the movement in Bihar. It may, if the police repression continues unchecked.

Nagaland Chief Minister's Quest for Peace

Brahmanand Mishra

FOR many years, Vizol, who became Nagaland's Chief Minister last February, has been unceasingly trying to bring about peace in his strife-torn state. As a first stage towards reconciliation with the underground Nagas, he has suggested that New Delhi stop all military operations.

In a recent interview, I asked the Chief Minister to comment on the Government of India's reaction to his unique proposal. He replied that the proposal had been received with appreciation but hastened to add that there was a difference between appreciation and implementation. He felt that the solution to the Nagaland problem lay in "reconciliation through persuasion". There was no other way out. He strongly felt that the period of confrontation stretching through more than 25 long years "had led us nowhere". Though there had been some sort of relative peace recently, the tension had continued. It was to bring this tension to an end that he was proposing the stoppage of army activities in Nagaland so that the sober elements among those in rebellion could get some time to think coolly about what was in their best interests. During the past two and half decades practically all methods — conflict, ceasefire, negotiation — had been tried and all had failed.

Vizol further stated that although the underground Nagas did not wield as much power as before, they were still a force which could not be ignored if there was a genuine intention of solving the problem. Persuasion could only work when there was "proper contact" with them. For this peace was essential. Peace was also essential to allow the ordinary people of Nagaland to carry on their day-to-day activities and so contribute their share to nation-building like the people of any other state of the country.

Asked about the Indian army's role in Nagaland, he said it had been the role of an army. Nowhere did any army love the people. But the army had to stay in Nagaland as long as the situation demanded it. He was conscious of security requirements. He did not share the view that the threat from Chinese-trained underground Nagas was imaginary. This threat was real and serious. Though the security forces, along the 900 km Nagaland-Burma border running through thick jungle and hilly terrain, were constantly on the alert, the underground traffic to and from China continued. The danger or threat from this traffic was not in the small quantity of arms brought in but in the ideas that came with the arms. He was all for putting an end to these links across the international border.

The Chief Minister then came back to the question of peace and said that Nagaland's Baptist Church leaders had recently formed a peace council and were trying to establish contact with the underground. This effort was welcome and the Nagaland government would give it all help. But the effort of the peace council was not enough in itself. If military operations continued, the atmosphere of fear, uncertainty and suspicion would also continue. No proper contacts or discussions could take place in such an atmosphere.

When asked if there was any move either from New Delhi or London for a meeting between the Prime Minister and Phizo, the exiled underground leader who was in London, Vizol said he was not aware of such a move. He, however, believed that after proper contacts with the underground had been made and discussions started, a stage would come when Phizo's participation or involvement would be necessary. Though Phizo had been away from Nagaland for a very long period, he still enjoyed some popularity among the Nagas. Therefore, without bringing him into the picture no permanent solution to the underground problem was possible.

ISLAMIC CONFERENCE

Participants in Common Struggle

Harish Chandola

THE fifth Islamic Conference of Foreign Ministers, attended by 36 states of Africa and Asia, which concluded its five-day session in Kuala Lumpur on June 25, made it absolutely clear that the Islamic world was an inalienable part of the third world of developing countries. The main theme of the conference was that it must strengthen its solidarity with other organisations of third world countries and unite all those struggling against domination and exploitation. The representatives of the Islamic world made it clear in their communique that the struggle against colonialism and imperialism was not over and that the "machinations of imperialism to sow seeds of disunity amongst the ranks of the developing countries" had to be fought.

There were some elements in the Conference who would have wished to devote more attention to religious matters and to quarrels with non-Muslim countries. These elements would have liked to avoid getting involved in problems of the common struggle of the third world. But such elements were overtaken by the tide of enlightened opinion of most of the leaders who did not want the Islamic world to stay aloof from other struggling peoples.

But what did the Conference actually achieve? Meetings or conferences do not formulate a set of orders which they then issue out to member countries to implement. They discuss common problems and recommend methods of solving them. These conferences provide guidelines and recommendations for concerted action. They also set in motion trends which become the common policy of countries. It is in this light that the decisions of the Islamic Conference have to be viewed.

West Asia, which continues to remain one of the major theatres where the people are locked in struggle with imperialism, is part of the Islamic world. The Conference therefore devoted a considerable amount of its attention to it. It began by stating that the West Asian problem was one that not only concerned the Islamic world but "all nations which were opposed to aggression". It stated that "the recovery by the Palestinian people of their national rights was the main condition for the establishment of a just and durable peace in the region and that the Palestinian people's struggle to recover their usurped land was an integral part of the peoples' struggles everywhere against colonialism and racial discrimination". The Conference called upon all countries to stop supplying Israel with arms and political, economic, financial and human support, which helped it to pursue its aggressive and expansionist policy. It asked all states to impose economic sanctions against Israel, in accordance with Chapter Seven of the UN Charter. About the current efforts being made for peace in West Asia and the disengagement of forces on the Egyptian and Syrian fronts, the Conference said peace there could only be established by complete Israeli withdrawal from occupied Arab territory and the recovery of all Palestinian national rights. It also expressed full solidarity with the Lebanese Government and people for the protection of the security and independence of Lebanon.

The other major theatre of struggle against imperialism is Africa. The Conference reaffirmed its full support for all national liberation movements in that continent and called upon countries not to establish relations with the Portuguese regime unless it started serious negotiations with national liberation movements in its colonies. The Conference expressed its full solidarity with the struggles of the peoples of the Sahara under Spanish domination and of French-controlled Somaliland, and Comoros and the British-controlled Seychelles.

The Conference, however, did not offer support to major Asian struggles, except that of the Philippine Muslims. It called upon the Philippine government to seek a political and peaceful settlement of its problems with the Muslims in its southern provinces. It decided to establish a Filipino Muslim Welfare and Relief Agency with contributions from Islamic countries to provide help to Muslims affected by the fighting in the southern provinces.

The Conference also stressed the need for joint action, along with other developing countries, to regulate the role and activities of multi-national corporations.

A jarring note was struck by Pakistan which insisted that India must be named for exploding a nuclear device in its resolution on "Strengthening the Security of Non-nuclear States". In pressing for naming India for allegedly enlarging the nuclear threat, both the Pakistan Minister of State for Defence and Foreign Affairs, Aziz Ahmed, and its Foreign Secretary, Agha Shahi, used the language of anger and bitterness, which created a great deal of unpleasantness in the Conference. Pakistan kept on trying to bracket India with Israel and South Africa for nuclear ambitions. This was not liked by most Islamic countries. Pakistan, however, won its point because its prestige at the Conference was high due to its successful holding of the Islamic Summit in Lahore four months ago. And the kingdoms of Saudi Arabia and Morocco, Pakistan's treaty partner, Turkey, the Secretary-General of the Islamic Secretariat in Jeddah, Hassan al-Tohamy, an Egyptian, and for unknown reasons, faraway Gambia, unreservedly backed Pakistan in whatever it said. Al-Tohamy began vilifying India by saying that it was collaborating with Israel in the development of nuclear devices and the Pakistanis supported him on this. But they did not succeed in prejudicing the others.

Through all this Bangladesh behaved in a calm manner. It stood by its principles of non-alignment and during the long debate on the Pakistan resolution, its delegates said they supported the operative part of it which sought to strengthen the security of non-nuclear states. But Bangladesh felt that either all the nuclear powers be named in the resolution or none. It wanted the resolution to note that the world was now divided among nuclear and non-nuclear powers, instead of merely "noting that on May 18, 1974, India exploded a nuclear device, thus increasing the number of nuclear powers..."

It should, however, be noted that the more meaningful decisions had already been taken prior to this Conference. An Islamic Solidarity Fund of US $ 20 million was set up. This Fund is to be used for the establishment of two universities in Africa, to provide relief to Muslims in the Philippines and to recruit experts for the Islamic Secretariat. With fresh contributions this Fund is expected to grow from year to year. An Islamic news agency has already been set up in Jeddah. There are plans to make it international in scope and to allocate $ 2.5 to 3 million for its expansion.

Since all the Islamic countries belong to the developing world, economic advancement remains their primary need. The Arab countries have agreed to use their oil wealth to promote such advancement. It is mainly with the help of their contributions that an Islamic Development Bank with a capital of $ 2 billion will be functioning by the end of this year.

Population and Poverty

Bharat Jhunjhunwala

The Myth of Population Control by Mahmood Mamdani; Monthly Review Press, New York, 1972.

CENTRAL to Mamdani's analysis is the understanding that motivations originate in social experience, not in "education" which often negates the reality of social experience. People will be motivated to limit the size of their family only when the social conditions become conducive to such an activity (p 20). Therefore, the roots of the problem, and the reasons for the failure of the current family planning programmes have to be found in the reason why many men and women, particularly amongst the poorest half of the population, feel no compelling motivation to limit their fertility.

We, therefore, need to understand the nature of the social experience which determines the number of children families would want to have, namely, the costs and returns of having children. No doubt, there are many psychic and social factors which affect motivations. For our purposes, however, costs and returns would suffice.

It would be useful to separate the rural population into three occupational classes: the agricultural landed, the agricultural landless, and the non-agricultural service class.

The agricultural landed class have a very distinct incentive to have a large number of children. In the childhood years, along with going to school, the children take care of the cattle and help with housework. Later, the male children help to substitute for hired labour. The average marriage age for girls having increased, they can earn a greater part of their dowry and also help with the housework and harvesting for a longer period of time. As a Khanna farmer explained, "if he had more sons, his labour costs would be significantly reduced and his household maintenance costs only marginally increased... Every farmer knows that the cost of having each child declines the more children he has. The benefits on the other hand, increase" (p 85). There may be some disincentives in the danger of land fragmentation, but as one farmer contended, "Of course, I am worried about the fragmentation of land. But even before I worry about my land being divided up tomorrow, I must worry about making a living on it today. Just look around: no one without sons or brothers to help him farms his land. He rents it out to others with large families. Without sons, there is no living off the land. The more sons you have, the less labour you need to hire and the more savings you can have. If I have enough, maybe we will buy some more land, and the fragmentation will not matter" (p 78).

The agricultural landless suffer from the increasing family size of the agricultural landed because they may be displaced. But agricultural employment is highly seasonal in nature. Thus, although the landless may be displaced from their year-round employment, their demand in the critical harvest and sowing periods continues. It is also in precisely these periods that wages rise considerably and the bulk of their incomes are obtained. The possibility of having a large number of daughters has also ceased to be a disincentive. Mamdani reports a drastic change "in the composition of the labour force and in the attitudes towards girl children. Women and girls now work side by side with their husbands and brothers..." (p 94). Smaller children, in addition to going to school if possible, assisting with housework and tending the family animals, can often tend others' animals and work as domestic servants. They may in this manner earn two meals a day plus some clothes and money as well (p 100). Larger families thus allow contracting for larger area of land for harvesting. This is important, for the landless family's income depends "upon the amount of work his family can contract during the busy season. A larger family means a greater income during the busy season and higher savings for the slow season" (p 95).

Thus larger families continue to be profitable for both the agricultural classes, although they may result in further maldistribution of income against the landless and in favour of the landed.

The rural non-agricultural service classes present a different picture. The breakdown of the traditional *jajmani* system has often reduced them to wage earners without any security. Of these, those who are willing to take jobs as agricultural labourers also desire large families for aforementioned reasons. On the other hand those who have some "skills", e g, tailors and cobblers often emigrate to towns. Only a third residual group mainly belonging to the erstwhile Brahmin aristocracy face unemployment, hence may have an incentive to limit the size of their family (pp 105-127).

The rural people who emigrate to towns and urbanites in general are crucially different from the rural populace in one thing — their children have little in the way of employment opportunities, hence the entire cost of their upbringing upto adulthood, including education and entertainment, has to be borne by the parents. Their desired size of the family will essentially depend upon their perception of the employment situation and the cost of bringing up children. If they percieve considerable job problems for their children, the expenses towards their upbringing plus continued expenditure in their adulthood may suffice as a disincentive for having more children. This holds equally for the educated and the uneducated, white collar and blue collar urbanites. Herein lies the explanation of the relative success of family planning programmes in the urban areas and their near total failure in the rural areas.

Researchers have consistently reported a positive correlation between education and low fertility. This has been misread to imply that education *leads* to smaller families. "Obviously" then the problem is reduced to that of providing the people with right information so that their currently "irrational" behaviour of having large families is changed to a "rational" behaviour of having small families. A long run population policy must, therefore, have a strong emphasis on the education of girls (p 40). That a correlation does *not* imply causality is yet to be understood. What is neglected is that education enhances very little in the way of people's capability of making cost and return calculation; nor does it do much in terms of educating them about "techniques" of contraception. What it does primarily is to change the class affiliation of the subject. He now "belongs" to the urban white collar class where unemployment is far more severe and the costs of upbringing much greater. What serves as a disincentive is *not* "information" but the social experience of the educated unemployed. As it turns out most of our social scientists belong to this class

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where the social experience is conducive to small families. They smoothly generalise their experience to all classes under an implicit belief that what is true for their class is true for the country!

The basic fallacy, then, in all attempts at family planning is the misconception that amongst the poorer half of the Indian populace poverty cannot be much alleviated until they begin having fewer children. The reality, however, remains that "people are not poor because they have large families. On the contrary: they have large families because they are poor" (p 14). Consequently the solution to the problem of poverty lies *not* in population control but elsewhere.

So far we have considered the problem from the micro standpoint. What is wrong with the macro arguments in favour of population control? The conventional argument runs as follows: if there is a smaller population there will be more resources available per capita and higher education for each child; this will result in greater productivity of labour, greater income and improved standard of living for all. This argument fails to internalise the fact that greater resources per capita, or greater level of education in themselves do *not* lead to greater productivity, more income or economic development. The utilisation of these resources is crucially contingent upon the capital accumulation that the economy can undertake. The example of many (relatively) sparsely populated African countries is a case in point. The resources (natural, human, educational) have to be combined with complementary capital before they become productive. The educated face severe unemployment and consequently are often unproductive only because they require large amounts of capital. In contrast the rural agricultural workers suffer only from *seasonal* unemployment and continue to be highly productive for the economy in the crucial agricultural operations. So the very policy of education designed to increase the productivity of labour actually serves to reduce the productivity — it shifts the seasonally unemployed into the category of annually unemployed. It is only the educated and urban unemployed who constitute a burden on the economy. The rural populace, as large as it may be, is not a burden on the economy. In the few busy months that they harvest the crop their productivity is very high and results in a net income over the year. A reduction in rural agricultural population without the availability of additional capital to substitute for it would result in reduction of GNP as well as NNP.

It is not to be denied, however, that a smaller population will result in some savings of social resources in form of the subsidy that is provided towards their educational and medical expenses. I would suspect that such a saving would be negligible compared with the magnitude of capital accumulation that needs to be carried out. What is more interesting is that precisely this subsidy which is supposed to "educate" the people into having smaller families serves quite the opposite. By reducing the cost of upbringing children it makes it profitable to have more children and actually becomes conducive to larger families. If the people had to pay for the actual cost of their education and medicine it might serve as a disincentive.

Three other points need to be mentioned. First is the policy of the government to offer cash incentives for undergoing sterilisation. The magnitude of the incentive would have to be substantially higher than Rs 50 to effectively alter the cost and returns calculations in favour of smaller families, and unless they can affect that they are unlikely to be effective. Second, many of the studies dealing with family planning programmes, particularly the Khanna study severely suffer from response error from their respondents who are in favour of contraception "in principle", with those who accept contraceptives, those who say they use contraceptives, and those who actually use contraceptives (pp 32-35). The statistical results are, therefore, often invalid and meaningless, as in the case of the Khanna study. Third, the results of these studies are often misinterpreted. "If an area has a birth control programme and if the birth rate in the area declines, it is concluded that the programme is responsible for the decline . . . the conclusion doesn't follow from the evidence. One must show that the decline in the birth rate is a result of the work programme, and not merely coincident with it" (p 14).

In conclusion, it is not the purpose of Mamdani's study to show what the solution to the problem of Indian economic development is. That would require a much more extensive, holistic and historical analysis. The purpose is only to point out what a solution is *not*, namely, population control.

Mamdani, in his re-study of the Khanna study, by having shown that large families are not a cause of rural poverty but a remedy to it, has made an important contribution. Unfortunately, it may be a long time before the lesson is learnt by the "enlightened".

A Cold Look at Indian Managers

S L Rao

In the Wonderland of Indian Managers by Sharu Rangnekar; published by Associated Personnel Services; illustrated by R K Laxman; pp 134; Rs 30.

IN the tradition of Parkinson, Lawrence Peter and Raymond Hull ("The Peter Principle"), Townsend ("Up the Organisation") and Antony Jay ("Management and Machiavelli"), Sharu Rangnekar has written a highly entertaining book which cloaks its deadly seriousness. The book comprises a collection of Rangnekar's talks and articles, delivered over many years, which nevertheless hold together to make a very relevant book. Some of the chapters are applicable to management practices in other parts of the world as well, while some are familiarly Indian.

The 'committee approach' to decision-making is a wellknown device, of Parkinsonian repute and a long list of methods — such as proposing a survey, appointing a consultant, asking for more details, and even asking the subordinate to decide for himself — are many times used to delay decisions. It must be recognised that each of these could have a valid role to play, provided the user is consciously using it to help in better decision-making and not merely for procrastination.

Rangnekar's description of recruitment practices, concluding that in the final analysis, 'connections' are what counts, is very amusing. There is no doubt that advertisements which are clear, jobs that are well defined, simple forms that ask for only relevant information, interviewing levels not exceeding two to three, and early communication of the selection decision, are good rules to remember. It is clear that the same rationality

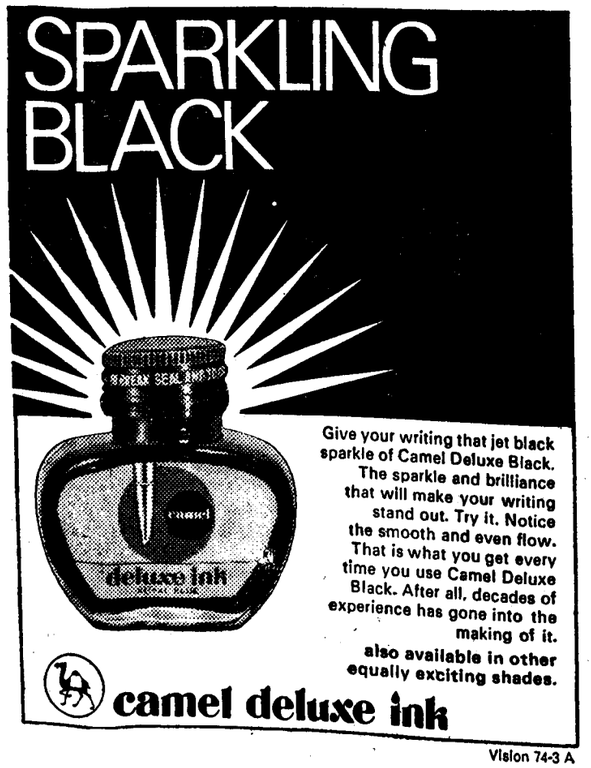
as in selecting applicants for a new job, should apply for promotion practices. The needs of the job should be clearly defined, the candidate's past record of performance charted out, his other qualities related to the needs of the job, and promotion based on an impartial selection system rather than on the whims of one individual.

Training in India is rapidly becoming a huge 'industry'. Everyone seems to run training courses and at increasing prices. The surprising thing is that even so they are always sold out. Evidently, companies are in mystical awe of training programmes and have a touching faith that they will pay off in improved personnel. However, no effort is made to define training needs, to establish that the programme, faculty and participation can meet the needs, and finally to assess what in fact has been achieved. Training programmes have also become a mutual back-scratching device among the 'executive preachers'. An executive of one company lecturing at a programme sends his subordinates to it and persuades his friends in other companies to send people to participate; and then reciprocates the favour! Perhaps one way to bring more rationality into the design and use of such programmes might be to make the expense on outside training ineligible to deduction for tax calculations.

The chapter on "The Problem of Indian Managers" should be required readings for all managers in the private and public sectors. The conclusion is that training should be aimed at nstituting accountability, trust and ystem. 'Defensive Management' as lefined by Rangnekar to tackle uperiors, competition, and subordinates, calls essentially for style without content. But one can think of nany successful practitioners in India! The practice started by P L Tandon, as Chairman of Lever, of using his annual speeches to shareholders to 'educate', appears to have acquired epidemic proportions, and today most chairmen of companies are eager to bare their souls, casting many words but little light.

The problem of Indian management is really that it is still slowly making a transition from feudal family-controlled businesses to the joint stock company run by professional managers; and from an amateur style, with managers drawn from an 'old-boys' network of selected public schools and colleges, to a professional method of work, practised by men of competence, ability and drive, whose socio-economic background is quite different. The early Indian professional manager was the inheritor of the foreign mantle, and as the foreigners departed, he automatically moved into high positions. This, of course, happened in other services too. It is only in recent years that recruitment, training and career development are beginning to be aimed at fitting the right people into particular jobs. Companies are still groping for the right ways and Rangnekar's book, by giving them a cold look at themselves, should assist in the making of the transition.

The major lacuna in this book is the absence of comment on the relevance of the Indian business school graduate and his proposed role. With business schools and departments of business management mushrooming around the country, and considering the enormous social investment in these graduates, it is time to review whether they have acted as catalysts for change or merely afforded an alternative to the old public-school elite. How relevant is the education, that they receive, to the kinds of jobs that they enter; is any of it applied, and when? Are they creating a new elitist wonderland or are they succeeding in moving Indian industry more rapidly into more professional ways?



Alternatives in Energy Development

B V Rangarao

The energy crisis has resulted from the prodigal use of fossil fuels. Utilisation of renewable resources — solar radiation and subsequent forms — is the only long-term solution.

The advanced countries have certain disadvantages for a change-over to the renewable energy sources — unfavourable geographical positions and an industrial structure geared to highly concentrated energy consumption pockets. India is not burdened with the same energy tradition. Therefore disposition of technical manpower and material resources to large-scale utilisation of replenishable energy resources should be the long-term objective, which would provide the necessary energy and employment distribution, helping also to eliminate some of the ills of urbanisation.

AS the energy crisis now faced by the fuel consumers of the world is unlikely to ease, the need for an independent and comprehensive assessment is urgent. In India, policies and programmes for fuel and energy are handled by several agencies, commodity-wise and region-wise. The Atomic Energy Commission, Central Water and Power Commission, Ministry of Mines, Ministry of Petroleum and Chemicals, and the State Electricity Boards are some of them. At the same time, vast energy resources are utilised today outside of the organised sectors.

The assessment would have to have a very definite indigenous outlook, since the policies and programmes of the the advanced countries are highly irrelevant to this country. To take one example: Consumption of electric power in the US is approaching 10,000 kwh per capita annually, whereas in India it is less than 100).[1] The disparity, by a factor of 100, should be sufficient to warrant the search for basically different kinds of solutions. The US, with less than 6 per cent of the world's population, has 35 per cent of the world fuel consumption.[2] Moreover, it is impossible for India, even after 100 years, to reach the present fuel consumption level of the US. One could have optimistic plans, but the few advanced countries have already exhausted 50 per cent of the world oil resources and the remaining oil resources are not likely to last more than 30 or 40 years if present consumption trends continue. Besides the depleting oil resources, enhanced prices and increasing demands due to the developing technology will seriously aggravate the situation. It would be folly to wait for the advanced countries to change their habits, before we evolve a suitable policy for ourselves. Our problems are quite distinct. While the cost for the rich nations is in modifying their present mode of fuel consumption, the poor nations have yet to build an industrial structure. This 'clean slate' on the fuel front could be a consolation for the poor countries if they in fact avail it.

Energy Resources and Uses

The energy policy to be evolved cannot be the same for the immediate future and for the years ahead. There are several fuels which are already at our disposal and some might yet be discovered. Agricultural waste, wood, solar radiation, geothermal energy, tides, winds, coal, oil, natural gas, and nuclear energy, are already available and utilised to varying degrees. Each of the fuels is likely to have its best use in some specific area. Each fuel has a suitable application. Some energy forms, like electricity, have wider applicability but are not always economical — either in terms of the fuel or the social cost of conversion of other fuels into that form of energy. While it is unavoidable to use electric power to produce controlled high temperatures for manufacturing certain alloys, it is sheer wantonness to use the same to heat or cool residences.

A national policy for fuels has to be based on the natural fuel resources which can be broadly divided into two categories: replenishable and non-replenishable. While the former category including solar energy, wind, tidal power, agricultural wastes, and biochemical sources, are diurnal or seasonal and natural reservoirs, coal, oil natural gas, and fission fuels, belong to the non-replenishable type.

While it may not be possible to switch over to the renewable energy sources immediately, the strategy should be directed towards them. It should be accompanied by a serious policy to reduce the consumption of less abundant fossil fuels. In the near future, only those societies which can adapt their energy consumption methods to anti-entropic processes are likely to be prosperous. The prosperity of today's advanced countries has resulted from their monopolistic exploitation of world energy resources as well as world markets. The industrial pattern and energy utilisation were, moreover, decided by the profit-seeking owners. This process is too fallacious by democratic norms and should not be emulated by developing nations.

Aspects that require immediate survey and study are:

(1) The magnitude of renewable energy resources in India: (a) solar energy, locational and seasonal variations; (b) hydropower resources; (c) wind sources with suitable mapping; (d) ocean energy resources, preparation of survey maps of tides, thermal differentials, ocean flora, etc; (e) survey of flora; (f) microbiological activity; (g) agricultural and biological wastes; (h) animal and human power.

(2) Non-renewable resources: (a) coal; (b) oil; (c) natural gas; (d) fissile and fertile nuclear energy resources; (e) geothermal resources.

(3) How the resources are utilised at present: (a) type of fuels under use; (b) purposes for which energy is used; (c) conversion techniques, their economy and side effects.

(4) Present day knowledge on energy conversion processes.

(5) Feasible techniques of conversions.

(6) Research programmes on conversion, conservation and utilisation of energy and energy resources.

SYNDICATE BANK

Condensed balance sheet as at 31st December, 1973

(Rounded off to the nearest Rupee)

CAPITAL AND LIABILITIES	Rs.	PROPERTY AND ASSETS	Rs.
1. Capital (Wholly owned by the Central Government)	1,41,97,104	1. Cash (in hand with Reserve Bank of India and State Bank of India)	30,19,00,423
2. Reserve Fund and other Reserves	2,42,24,700	2. Balance with other Banks	1,52,12,442
3. Deposits and other Accounts	343,77,99,232	3. Money at Call and Short Notice	Nil
4. Borrowings from other Banking Companies, Agents, etc.	15,77,88,501	4. Investments	109,91,50,955
5. Bills Payable	4,68,84,979	5. Advances (including Bills purchased & discounted)	230,40,79,695
6. Bills for collection being Bills receivable as per contra	22,74,81,579	6. Bills receivable being Bills for collection per contra	22,74,81,579
7. Other Liabilities	23,02,88,054	7. Constituents' Liabilities for acceptances, endorsements & other obligations per contra	15,99,77,808
8. Acceptances, Endorsements and other obligations per contra	15,99,77,808	8. Premises less depreciation	89,85,104
9. Balance to be transferred to Central Government	23,40,930	9. Furniture, Fittings etc. less depreciaton	2,03,76,498
		10. Other Assets	16,29,46,966
		11. Non-Banking Assets acquired in satisfaction of claims less depreciation	8,71,417
TOTAL Rs.	430,09,82,887	Rs.	430,09,82,887

As on December 31st 1973

- **Deposits Rs. 343.78 Crores**
- **Advances Rs. 230.41 Crores**
- **Advances to priority Sectors Rs. 106.54 Crores which account for nearly 47% of the Bank's total advances.**
- **Deposit Accounts 33.71 lakhs**
- **Borrowing Accounts 6.58 lakhs**
- **Branches 638**

Head Office: Manipal (Karnataka State) • **K. K. PAI Chairman & Managing Director**

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Though several aspects have been studied by different agencies, these studies are partial and incomplete and thus, could not give rise to any comprehensive technological breakthrough.

Fuel statistics in India are sporadic. It is often only the commercialised items that figure with any reliability. In recent years, even the estimation of non-commercial fuels has been given up. While the misuse of fuels is a common feature for both commercialised and non-commercialised items, highly inefficient conversion is common for non-commercial fuels whereas indiscriminancy is common for the commercial fuels.

Solar Radiation

Solar radiation is, in fact, the source of all fuels, fossil or other otherwise — excepting the nuclear fuels and the gravitational sources. Part of it is converted into winds, occean currents, and water cycle. A small fraction is used by plants to convert atmospheric carbon-dioxide into carbohydrates. The intensity of solar radiation on the ground is of the order of 1.2 kw per square metre when the sun is overhead. In the tropical regions, the average over 8 hours is 0.90 kw, and it is abundant throughout the year. It is considered uneconomical to convert it into other forms of energy beyond 40 degrees latitude. The industrially advanced societies are highly urbanised and they no more envisage electric power plants of less than 1,000 megawatts of electricity capacity. The fad for large generating units has its origin in the use of fossil fuels, where efficiency of conversion is the only criterion in view of the fuel costs. In case of solar radiation, where the cost of fuel is nil, efficiency becomes important only for capital investment — i e, collection of radiation from extra area — but not the recurring cost as in conventional generation. In fact, conversion of any fuel into electric energy is a fanciful engineering practice in view of the losses at the various stages. Of course, once it is converted into electricity, it is convenient, but not for transporting over long distances or for scattered consumption. Use of electricity for space heating or cooking, a reversal of generating process, is a technological extravagance. Even for lighting purpose an incandescent bulb is many times costlier, energy-wise, than a florescent lamp.

Two decades ago, some attempts were made in India to produce solar cookers, but unsuccessfully. No attempts were made to improve the collectors and transport the energy into shaded regions. Later, Israel took up the same problem. The Israelis collect with small devices solar radiation from more than 20,000 square metres which provides several megawatts of thermal energy, and they put it to several uses.

New devices to collect solar radiation — Fresnel's lenses — cost only Rs 15 per square metre. Adam Baker Meinel, along with his wife, prepared a project for 1,000 Mw generating station with solar energy at about 40° latitude.[3] In this, solar radiation, collected over nearly 20 sq miles area, generates steam at 560 degree centigrade; the heat is stored in a liquid metal reservoir. Through a second loop, energy is transferred to turbines to generate electricity.

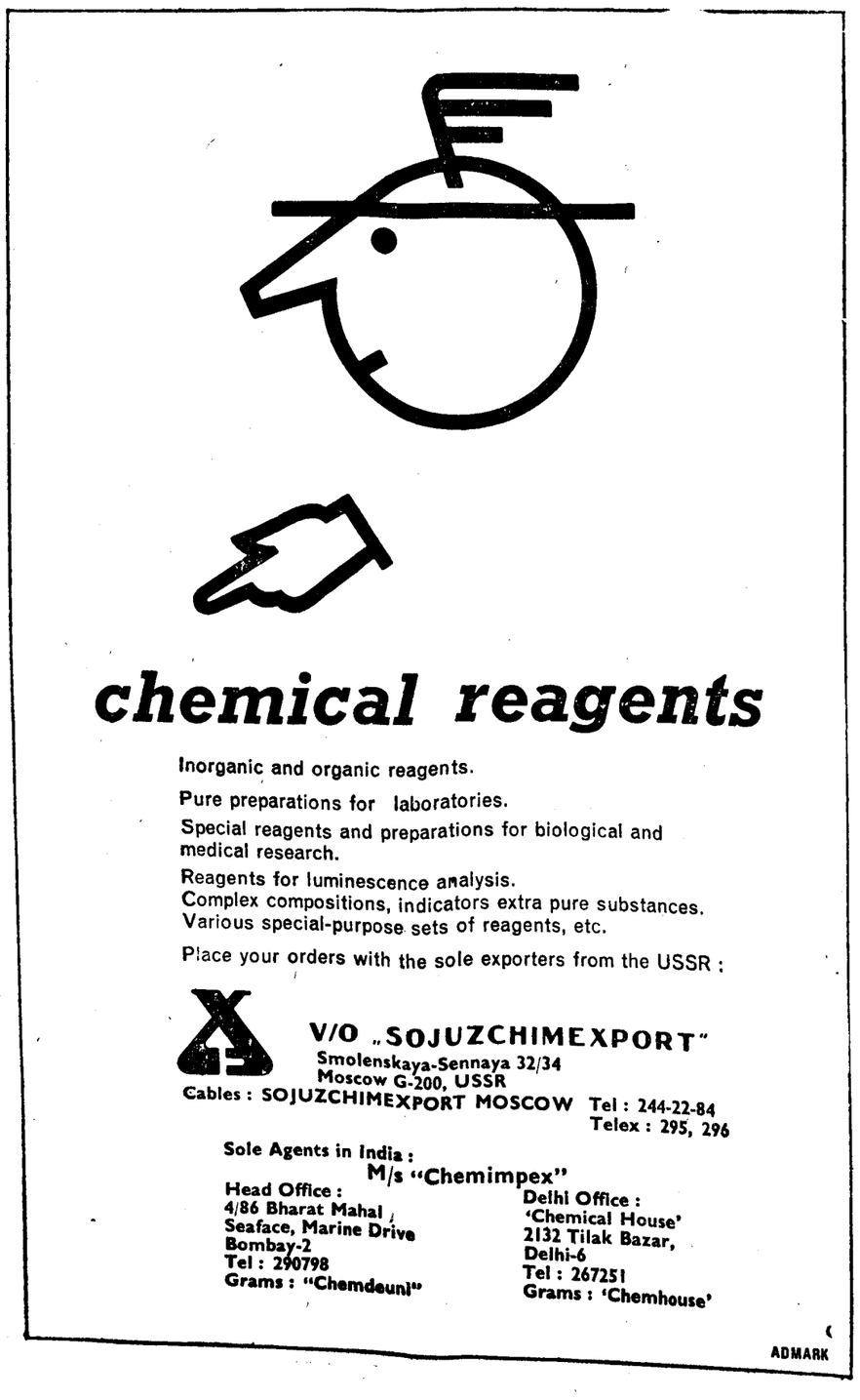
In the national science and technology programmes of Australia, solar energy is included as one of the only four major areas of research to be undertaken in that country. Though Australia has coal and uranium already being mined and exported, it recognises that solar radiation is a superior source of energy.

Even in the regions close to the North Pole like Sweden and Norway, where forest resources are major elements in the economy, solar radiation is the source of wealth and prosperity through a patient natural process. These processes have very high efficiency in terms of negligible investments.

Indian technological organisations should turn their attention to such programmes, instead of being carried away by the glitter of the prodigal ways of some advanced countries. In the advanced countries, with the glamour of the recent achievements in space and electronics as the guiding forces, it is envisaged to collect solar radiation more than 22,000 miles away from the surface of the earth, convert it there into electrical power and transmit it to the receiving stations on earth through microwaves. Technologists in India may watch such projects with admiration but cannot expect this country to invest similar resources in them. Even in the US massive investments in research and development are made only in the areas considered 'ripe'; the degree of ripeness for India should depend upon its own available technological and financial capabilities. Until a heat storage system with insulated liquid metals is developed, it is necessary to supplement the solar energy with other sources. Conversion by solar batteries using thermo-electric effects are already in use; but they are too expensive and inefficient for uses on earth. In space research they are used unmindful of the cost. Thermal dissociation of water into hydrogen and oxgen is also feasible, with a view to using hydrogen as a clean fuel. But the practical use of such techniques on a large scale is yet remote.

There are other indirect ways of converting the solar radiation into fuels. Photo-synthesis, in which plants utilise solar energy to reduce carbon-dioxide in the atmosphere to carbohydrates, such as starch and cellulose ought to be exploited effectively. This will, of course, necessitate water conservation and utilisation. In the same agricultural areas, microbiological conversion of non-edible starches can yield liquid fuels, like methyl and ethyl alcohols. Even now the production cost of ethyl alcohol is of the order of 25 paise per litre. Alcohol can supplement petrol in the operation of the internal combustion engines already working. To increase the production of alcohol to several million tonnes per year, it may be necessary to improve the fermentation technology and cultivate plants like tapioca which can produce abundant quantities of starch.

Water and soil nutrition are prerequisites of effective utilisation of solar radiation for growing plants and crops of different types; firewood and starches for fermentation, and so on. Fertiliser production, as now undertaken, is highly power and fuel intensive — another legacy of Western technology. With the advances achieved in biological sciences, it is possible to utilise the natural biological processes to maintain the soil fertility. It is well known that certain bacteria can fix nitrogen in leguminous plants. Agriculture can be revolutionised if bacteria, which could do the same in rice and wheat plants, could be identified. Such discoveries, of course, are not in the pipeline. It is necessary to organise research effort in these lines which have higher feasibility in this country. If the fusion reactor is a possible challenge for the science in the advanced countries, microbiological solutions for the energy crisis should be sought in countries like India which are favourably situated for the purpose. If ever scientists in India are to make revolutionary contributions to world science, they will have to make massive efforts in sectors associated with our special natural conditions and productive interests. The public sector unit, the Fertiliser and



Chemicals, Travancore (FACT), used cheap quality wood as the basic raw material to start with; later it switched over to oil products!

Biological Wastes

While in India agricultural wastes are used in one form or the other, the same cannot be said of organic wastes. It is estimated that organic wastes alone can produce in the US 30 million million (10^{12}) cu ft of methane per annum which is 1½ times the current natural gas consumption, i e, more than 35 per cent of all the commercial fuels consumed in that country.[4] In India, obviously, this source can yield several times more energy than all the commercial fuels consumed at present. It is reported that 20,000 domestic gas units are to be set up by the Khadi Village Industries Commission (KVIC). Under the scheme 10 gobar gas plants are to be set up in each community development block. There is also need to improve operational performance and reduce costs of materials used.

Instead of offering cost subsidy, development of designs suitable to each locality depending upon available raw materials and cooking habits, training artisans who would remain in rural areas, etc, are likely to be more effective methods of assistance. Further, supply of metal components at reasonable rates has a better chance of spreading the programme than any temporary monetary incentives would do.

Wind Power

Heat energy is required to be converted into mechanical form for several applications. Parts of solar radiation are converted into water cycle (hydropower), wind and ocean currents. These sources have been traditionally utilised for electric power generation and transport. A study of wind regions and patterns is necessary for such purposes. In some of the European countries electricity generated from wind power is fed into national power grids. Coastal and hilly regions are better endowed with wind power.

Even in the plains, wind power is considerable. A survey[5] has indicated that the annual mean wind velocity at Lucknow is 9 km/hr. A machine having a cut-in speed of 8 km/hr and swept area of 30 sq metres, and an overall power efficiency of 12 per cent, can annually produce 1,320 kwh. For pumping water, the efficiency is higher. The National Aeronautical Laboratory (NAL), Bangalore, is reported to be engaged in setting up some wind mills in Karnataka state. The NAL design costs less than Rs 1,000 per kw generation, for small units of 4 or 5 kw. The operational cost is negligible. Use of wind power is common in many regions of the country for water transport. Water transport is often the cheapest, but our waterways are not designed for this, though the additional cost would be negligible. Water current and wind power alone would be sufficient in several regions and seasons to transport the goods to and from rail junctions or ports.

Geothermal forms are a combination of renewable and non-renewable sources. Some geothermal sources have their origin in the hot core of the earth, and the energy released in radioactive decay by the constituents of the earth. Gravitational phenomena, in the form of relative motion of moon and earth and spinning of the earth also create motions of fluids on the surface of the earth, and become energy sources.

Renewable geothermal power sources, such as thermal gradients in oceans and tidal waves, though they appear to have potentialities, are yet to be investigated from scratch. However, in India, the magnitude of such resources is limited. Underground geothermal energy is already exploited in a number of countries, such as Iceland, Italy, New Zealand, Japan, and the US. At Geysers of California, where 82 Mw is generated from the superheated steam generated underground, power generation is being expanded by another 110 Mw and the potentiality is expected to be 1,000 to 4,000 Mw. In all, more than 1,000 Mw is generated from underground heat sources in the world.

Fossil Fuels — Coal and Oil

In several countries, coal, oil and natural gas constitute 90 to 60 per cent of the total commercial fuel consumption. These fuels have similar orgin — in the decay of biological products by geo-biological processes. It took several hundred million years for natural biogeological processes to accumulate the present deposits of these fuels and their exploitation is a permanent drain on the national and world reservoirs of these fuels. While the presently known coal formations took 500 million years to form, after partial exploitation over the last 200 years, this fuel would last for only a little over 200 years if present trends continue. For oil and natural gas, the situation is worse; at the present rate of utilisation, oil would last for less than 40 years and natural gas for less than 20 years. Fossil fuels, created millions of years before the emergence of man on earth, are to be exploited only sparingly, because they not only are limited in quantity, but also disturb the ecological balance of the globe. Rapid burning of fossil fuels has been increasing the carbon-dioxide in the atmosphere and raising its temperature. Besides, several poisonous oxides are released. In the immediate future, until an energy technology for better living is evolved, it may be necessary to continue to use fossil fuels, but it has to be done more discriminatingly than at present.

Use of petrol as a fuel for transportation of individuals or small groups is a typical example of indiscriminate use. In the first instance, the efficiency of the internal combustion engine of a car is less than 15 per cent, while for finally converting to motion it reduces to about 4 per cent. Again, the fraction of this mechanical energy finally available to the passengers is negligible in view of the mass of the vehicle itself. Except for the aeroplane, the private automobile is the most inefficient mode of using energy for travel. In view of the consumption of a non-renewable fuel, and the associated pollution, this mode of oil use is even more foolish than burning cow-dung for cooking.

The present mode of fossil fuel consumption is an outcome of exploitation of scientific knowledge and earth's resources for private profit. The advanced countries have been anxious to exploit the oil from outside their territories as quickly as possible in competition with others. Some of them preserve their own resources and buy from the underdeveloped areas. A global or a long-term welfare of the population is never an important calculation in private enterprise. Pollution and ecological damages are intentionally overlooked by these sections.

As coal and oil are the products from the same basic materials — biological wastes — and oil is a more modified form of carbohydrates than coal, it is possible to derive from coal almost all the materials produced from crude oil. But in India, research and development effort in this direction has been negligible.

Nuclear Fuels

There are other potential fossil fuels such as uranium and thorium. But their technologies have yet to be developed and fission reactors are full of risks for present as well as for future

generations. The highly toxic plutonium of which a fraction of microgram is sufficient to seriously damage a human being is an intolerable nuisance in any society — and particularly in the strife-ridden ones.

Though fusion energy is not such a nuisance, its feasibility is not in sight, though in the USSR, a temperature of 8 million degree centigrade has been attained in the laboratory, the ion flux is too low and the life of the pulses too short to be optimistic. Even if extreme safety precautions are taken, the large quantities of radioactive materials constitute a permanent danger. For example, in a period of political or social unrest, sabotage against reactors may cause catastrophes. Further, in a full-scale fission programme, the radioactive waste will soon become so enormous, that a total poisoning of our planet is possible. Under such conditions safety margins, which are acceptable in other fields, are inadequate. It is not evident whether the waste problem can be solved in a satisfactory way. Solar energy or fusion energy are free of such risks. Scientists in Europe and North America want their governments to concentrate efforts on fusion reaction but do not consider solar energy sufficient to exploit with the technology feasible in the immediate years. The situation in India is different, due to the magnitude of the radiation and scattered rural needs.

Immediate Requirements

The above resources require development of suitable technologies and are bound to take considerable time. The policies to exploit the new resources are to be initiated with research and development efforts. The existing structure cannot be replaced suddenly. In the mean time increase in energy consumption will continue. While the coal resources are comfortable for several decades, liquid fuels are the present day anxiety.

There are areas in which liquid fuel cannot be substituted such as in the airforce. Civilian airlines and road transport also may require considerable increase even with the revival of inland water transport. Fertiliser and other chemical industries can reduce petrochemical bases but cannot avoid completely for several years.

As already stated, hydro-electric power sources should be exploited as early as possible, and always with the prime consideration of using water for irrigation, and industrial needs. Technology in this field is highly advanced and the Indian engineers are well equipped to design and implement these projects.

Though off-shore drilling for oil is anxiously carried out, methods to produce power alcohol on a large scale has still not been taken up seriously. India is one of the exporters of molasses which can be immediately used to produce alcohol. The industry so generated should provide incentives for higher research effort in fermentation technology.

Though large investments (relative to other sectors) are made in nuclear power, their economics, operational efficiency, safety precautions, radioactive waste disposal, etc, are so serious that the Indian research effort is unlikely to provide any key solutions. Breeder reactors are more complex and dangerous than the other nuclear reactors. Two decades back a prominent Indian scientist declared at the First UN Conference on Peaceful Uses of Nuclear Energy that the fusion process would be a practical reality within a decade from then. Instead, in this period, more and more scientists have turned sceptical about the fission energy itself.

Like MHD (magneto hydro dynamic) power generation, breeder reactors, in spite of the radiation hazards, are investigated at a considerable cost in technological manpower and financial support. In these areas massive investments are made in some of the advanced countries and poor countries like India can await the results of that research because the returns for the massive investments are doubtful. Even if success is achieved in these areas, it will not be in India; and adoption by India from a later stage should be less expensive. There are more relevant areas in which the potentialities are higher, feasibility is established, the research costs are low; and these areas are not of interest in any of the already advanced countries.

Social Tasks

Though energy utilisation has been the basis of the prosperity of the advanced countries and general liberation of the human beings from the drudgery, the effort to design entropy conserving mode of life has been negligible. Only mechanical energy, as in case of hydro-power, can be converted into electrical form, with reasonable efficiency. In a country like India, it is necessary to choose an optimal mix of several energy resources for different uses.

Scientific and technological research in this country requires to take a comprehensive view of the energy resources and social goals to select a few areas for intense research, and acquire the capacity to adopt any successful achievements in the other fields. The technological research effort should be closely linked up with productive techniques to be followed. Though thermal and hydro-power have been the only sources of electricity in India, till recently, for the last two decades the research inputs in this area have been almost non-existent. During these years, the efficiency of thermal energy conversion to electricity increased by more than 15 per cent (from a little above 30 to nearly 50 per cent), but at each stage we have had to borrow outside technology.

While it would take several years before there can be massive conversion of solar radiation and other renewable resources into mechanical and electrical forms, as fossil fuels are depleting, it would be useful to build up in India, an infrastructure which will be compatible with the new sources of energy and forms of utilisation.

Economy in the use of electricity cannot be achieved by preaching to the users or by enhancing prices. Town planning and house designs should be geared to economise electricity consumption.

Similarly, in transport and rural electrification, the outlook required would be radically different. Fossil fuel economy necessitates setting up large capacity electric power stations, high voltage transmission, and intense electric energy consuming centres. High voltage transmission is not feasible in the rural areas of India. Already, our transmission losses are among the world's highest. If the fuel costs are nil as for solar radiation and wind power, the norms of economy are radically different. This may further help to reduce urbanisation, and take technical skills and technology to wider sections of the population.

Though it is necessary, drastic changes in fuel consumption cannot be introduced overnight, without altering several social activities. Even to retain the already substandard position, the present system requires oil imports which may require as much as 60 to 80 per cent of all the export earnings. Such desperate need to export, puts this country in a highly unfavourable position and subjects it to easy exploitation by not only the oil suppliers but also all importers of the Indian goods.

Notes

1 The estimations of energy consumption and comparisons are based on certain parameters. The per capita energy consumption ratio between the USA and India is 100 for electricity, it is 40 for oil and 10 for coal, non-commercial fuels are completely neglected. The ratio falls rapidly from the commercially advanced forms to the others.

2 The world average consumption of electricity is about 1000 kwh per capita, in the underdeveloped countries it is about 100 kwh, in the Western Europe a little over 2,000 units and in the USA it is more than 9000 units. The industrialised regions in 1963, constituting 29 per cent of world population consumed 77 per cent of all coal produced, 81 per cent of all oil, and 95 per cent of all natural gas; while the 71 per cent of the underdeveloped world used 77 per cent of human energy; 87 per cent of animal energy, and 73 per cent of fuel wood and waste.

3 A B Meinel and M P Meinel, 'Science and Public Affairs', (*Bulletin of Atomic Scientists*, October 1971).

4 C Sharp Cook, 'Energy Planning for the Future', *New Scientist*, January-February 1973.

5 Geological Survey of India, 1960.

World Crisis and Latin America's International Options

A Note

Andre Gunder Frank

THE international options of the countries of Latin America to 1980 will depend in the future as in the past on the course of capitalist development in the remainder of the world, including the kind of internal political development and the direction of foreign policy elsewhere, and on the internal political development in the Latin American countries themselves, which in turn will depend largely on the nature and course of capitalist development in the world as a whole, as well as on the stage and kind of the process of capital accumulation in the Latin American country in question itself. With respect to these economic and political developments during the 1970s, we may hazard the following working hypotheses to summarise, however schematically, some of the contradictory tendencies of uneven capitalist development, which for the foreseeable future are likely to be largely determinant for the question at hand: the international options and relations of Latin America in the 1970s.

Uneven capitalist development, temporal (cyclical), spatial ("development and underdevelopment"), and sectoral. World capitalist development appears to be entering upon another major crisis of capital accumulation analogous to, albeit not repetitive of, the period between 1873 and 1895, which witnessed the birth of monopoly capitalism and imperialism, and the period which included the First and Second World Wars and the intervening "Great Depression". Whether or not such periods of more frequent and deeper cyclical crisis of accumulation correspond to the quarter-century-long downswings of so-called "long cycles" sometimes associated with the name of Kondratieff and others, the end of the long post-World War II upswing and the beginning of the contemporary apparent downswing may tentatively be dated from 1967, after which rates of profitability and of growth of investment in the major capitalist countries of North America, Europe and Japan seem to have initiated a period of decline. The contemporary "stagflation", currency crises, and breathtaking changes in international political relations may be seen as symptoms of this growing crisis of accumulation. The same crisis forebodes increased temporal, spatial, and factoral disadjustments as well as a sharpening of the class struggle, for the foreseeable future which, however, at the same time, generate the opportunity and the necessity for major readjustments in world capitalist development, readjustments which will be necessary if capitalism is to overcome its present crisis instead of being destroyed by it, to be replaced by another social system. The international relations of the countries of Latin America, like those of the remainder of the world, will be largely determined by this process of disadjustment and readjustment in the coming years.

The international division of labour. The increased exhaustion of major investment opportunities with the, in the past, leading technologies and the reduced rates of profit are likely to restrain the quantitative extension of the inter-sectoral and international division of labour in certain past or present directions (such as the runaway shops in textile and electronics parts industries to areas of cheap labour, if only because of political resistance by unions and others in the metropolitan economies). At the same time, the present and future crisis of world capital accumulation, like those of the past, is likely to generate deeper and faster qualitative changes in the process of technological invention and in the inter-sectoral and international division of labour. The development of new major sources of energy (nuclear fusion, solar, etc), exploitation of the oceans and the ocean floor for minerals and "agricultural" products, and developments in bio-chemistry and genetics are likely to be among these major new directions. If and when profitability can again be enhanced through technological progress, reduction of the wage rate and increase in the rate of exploitation, the degree of capital intensity of capitalist production is likely, again, to increase. In these periods of accelerated disadjustment and readjustment of capitalist development, the development and exploitation of sources of raw materials appears to be more important relative to that of the production and trade of industrial commodities than it is during the decades of rapid capitalist economic growth, such as those preceding World War I and following World War II. Additionally, the coming period may witness a certain transfer of the production of energy and certain minerals to the industrialised countries and "their" oceans, while they will transfer some production, not only of textiles and electronics parts, but also of steel production and the automotive industry, etc, to certain underdeveloped and socialist countries. These latter will be drawn increasingly intensively into the international and inter-sectoral division of labour, with far-reaching consequences and implications for their international economic and political relations, foreign and domestic policies. (For further discussions, see below).

Capitalist competition for monopoly and exploitation. The capitalists' attempt to stem and turn the tide of declining profits and profitable investment opportunities during this crisis of accumulation enhances competition for markets among them (a partial reflection of which is the currency crisis and the inability to solve it satisfactorily), promises a revival of the "beggar thy neighbour" policy of the previous major crisis, and — with particular relevance for Latin America's options — induces them especially to intensify

and accelerate the exploitation of some socialist and Third World economies through primitive (non-capitalist) accumulation and unequal exchange while acceding to the greater participation in this same process by some intermediary economies and regimes, and, to assure the greatest possible share of the pie for each of the major powers, augurs at the same time for the strengthening of economic blocs and monopolistic relations within them. This tendency will be increasingly strengthened by any further breakdown of the present dollar-based international currency system and the renewed formation of a dollar area, Euro-currency or Deutsche Mark and French franc areas, sterling area, yen area, not to mention a rouble area. Increased multi-polarity leads to "detente" and shifting alliances, but also threatens major political conflict, including military confrontation, between some of the "allies", such as the USSR and China on the one hand and Japan and its American and/or European partners on the other hand, if not directly then, to begin with, in Third (World) countries.

Class struggle in the industrialised capitalist countries. The profit squeeze (after Wyn and Sutcliffe, "British Workers, Capitalism, Capitalism and the Profit Squeeze") in the major capitalist countries implies not only an attempt to shift the burden of the costs to "beggar thy neighbour", socialist, and Third World countries; but, especially insofar as the increased costs the workers in these countries will have to bear will be insufficient to stem and reverse the tide of the crisis of capital accumulation in the major capitalist countries, the workers in these countries themselves will be asked or obliged to bear a substantial part of the sacrifices themselves. The sharpening of the class struggle, particularly in Western Europe, has been in increasing evidence during the years immediately past and promises to become still more extensive and intensive in the decade to come. A first response to this intensification of the class struggle is recourse to neo-social-democratic, labour, "popular union" revivals of popular frontism, attempts to share the burden of the crisis and persuade labour to "sacrifice its selfish interests to the national interest in this time of crisis". The threatened failure of these social-democratic "resolutions" of the crisis, especially as it deepens internationally and nationally, also enhances and accelerates the threat of, and indeed paves the way for, recourse to neo-fascist corporative and even militarist solutions leading to 1984. The outcome of this class struggle in the major capitalist countries will, of course, also determine the economic, political and ideological position of their governments and their foreign policies with respect to each other, the socialist countries, and the Third World countries, including those of Latin America, thus partially defining also the latter's international options. All the more so, of course, will this be the case if the bourgeoisie fails to find the resources to save capitalism in its next period of crisis and the working class finds the political means to overthrow that ruling class and replace capitalism by socialism.

The Third World and Latin America in this crisis of capitalism. The accelerated qualitative transformation of the international division of labour during the present crisis of capitalist development offers increased opportunities for the development of intermediary "sub-imperialist" economies and regimes along the "Brazilian model", and, at the same time, generates further pressures for the formation of increasingly dependent "client states" along the post-September 11, 1973, "Chilean model". Economies which achieved a certain level of the development of their productive forces during and since the last major crisis of world capitalism, like India, South Africa, and Brazil, and, to a lesser extent, Mexico and Argentina, but, albeit under socialism, the Soviet Union as well, will find accelerated and increased opportunities to advance their insertion in the international division of labour in new directions. Some other countries, particularly Iran, but perhaps including also some other petroleum-producing countries, and, to a lesser degree, economies like Egypt, Algeria, will find the opportunity to accede to sub-imperialist status. This implies further capitalist development for these economies which permit a political alliance of their bourgeoisies with the imperialist ones on the one hand, and some sectors of their own middle classes on the other. However, especially for the former countries, unlike the import-substituting development of consumer goods industries based on the extension of the internal market, the more progressive distribution of income, and the relatively politically progressive populist regimes during the last world crisis of accumulation, the coming capitalist development in these economies is likely to turn increasingly on accumulation through the capital goods and export industries, whose output must be bought by the external market, industry itself, high income receivers, and particularly the state, including its military apparatus. This implies further regression in the distribution of income, increased unemployment beyond the 25 per cent "effective unemployment equivalent" estimated by the United Nations for Latin America for 1970, low wage policies such as those which have reduced the wage rate in Brazil by 40 per cent during the "economic miracle", strengthened marginalisation of large portions of the population, and reactionary political regimes that pursue internal policies of repression, external policies of expansionism, militarism, and international political alliances with other reactionary regimes, while seeking to maintain a delicate and shifting balance of dependent autonomy in their international economic and political relations.

The largest number of countries in the Third World, including Latin America, however much some of their political leaders may, like the Chilean junta, express such vain hopes, cannot realistically aspire to such sub-imperialist development and, in this crisis of capitalism as in others past, is likely to have the large masses of its people suffer from vastly intensified super-exploitation and political repression along the lines of the post-September 1973 "Chilean model", which may be the latter-day version of the regimes of Ubico, Batista, Trujillo and the like of earlier years. Here, as in the case of the Philippines, for instance, and large parts of South Asia, the degree of super-exploitation, unemployment, marginalisation, and, of course, repression, threaten to go much farther — as they already have in Chile in a mere half year — than in the case of the sub-imperialist regimes, whose victims they are likely to become increasingly as well. For the corporativisation, if not also militarisation, of the state appears as the order of the day, and the degree of brutal repression to replace institutional repression is a measure of the degree to which such corporativisation has not yet been achieved. In their international relations with the imperialist powers, and, indeed, some sub-imperialist ones, these repressive, neo-fascist, corporativist states seem condemned to still greater economic and political dependence than in the past. As to the international relations among countries of the Third World and Latin America themselves, forbode the threat of growing cut-throat economic competition among themselves and political, including military, confrontation and wars among neighbouring Third World and Latin American countries. In the next deep crisis of capitalist capital accumulation, only the successful popular revolutionary overthrow of capitalism can avoid such human costs of capitalist readjustment and survival.

Credit Policy, Interest Rates, Central Banking and All That

A Comment

Suraj B Gupta

H T PAREKH ("Credit Policy, Interest Rates, Central Banking and All That", May 25, 1974, pp 839-41) has come down heavily on the monetary and credit policy prescriptions of academic economists. His critique suggests that he has not invested enough effort to understand the economist's case for his policy recommendations. It is, therefore, appropriate to spell out the case briefly, and then to provide the economist's counter to Parekh's arguments for an easy and cheap credit policy in the present inflationary situation.

Parekh has advocated that the credit policy should be so conducted as to meet "the legitimate credit needs of production and export" (p 839). This kind of argument is nothing new to a monetary economist. It has been advanced in various countries from time to time. And one comes against it time and again in this country, too. I wish it were possible for banks to do so in a non-inflationary way. Unfortunately, this is not always possible. Moreover, individual banks are not in a position to see (or are not directly concerned with) the macro consequences — on the aggregate money demand for output — of their own lending policies. Therefore, the central bank of the country is entrusted with the task of planning the growth of money supply and the concomitant growth of credit in the economy.

Policy Criterion

In the present-day inflationary context, the first and foremost question which must be asked about Parekh's policy criterion is : at what price level should the real credit needs of production and export (or trade) be valued in money terms while planning the nominal amount of credit and its expansion? Should it be some initial price level which the monetary authority wants to stabilise, if it is genuinely interested in price stability? Or should it be at current prices? The economist's answer is the former, Parekh's answer is the latter when he says, "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" (p 841).

According to Parekh's way of thinking, if prices over a period have increased by 50 per cent, then neglecting real growth and any speculative inventory build-up, the nominal credit needs of industry and trade would also have gone up by 50 per cent and the monetary authority should so conduct its monetary and credit policies as to fully meet this increased nominal credit need. Following this logic, if, alternatively, over the same period, prices had increased by 500 per cent, the nominal credit needs of industry and trade would have also gone up by 500 per cent, real credit needs remaining the same, then banks must increase credit by 500 per cent. And so on. It can be easily seen where "meeting the needs-of-trade credit" argument and policy will lead us. Theoretically, this would make the price level indeterminate. Practically, this would open the flood gates of hyper-inflation. Instances are not lacking of countries having succumbed to hyper-inflation, when they have followed a policy of 'validating' increases in the supply of money and credit to meet the increased demand for credit at higher and higher price levels.

This leaves unanswered the question: what starts the inflationary process in the first instance. And it is not very fruitful to pose this question thus either, because it is very difficult to isolate a single 'cause'. Our immediate problem is to face inflation as an ongoing and accelerating process. There is no denying that, among other things, excessive increases in the supply of money and credit, shortfalls in output on all fronts, and increases in the prices of our crucial imports, have all contributed to this process. And, a multi-pronged drive alone will halt it. Immediately, we are concerned with the role which the monetary-credit policy can play in halting the continuing process of inflation. And it is in this context that nearly all academic economists in the country have advocated that excessive increases in money supply must be stopped forthwith. This would help contain the excessive increases in the money demand for output. The process of money creation being what it is, it follows from this policy requirement that deficit spending by the central and state governments must be brought under control, because such deficit spending by increasing currency (high-powered money) through Reserve Bank credit to the government, has been the major source of excessive increases in the supply of money — both directly, and indirectly through the secondary creation of demand deposits by banks. Another corollary to the control on money supply is that the credit-creating capacity of banks will be automatically checked, as the reserves in their hands will not be increasing at an excessive rate.

Legitimate Needs

Let us come back to the question of banks meeting the legitimate needs of production and trade. Suppose there is a regime of stable prices. Even in such a regime, are banks always able to meet all the legitimate needs of production and trade? What is the criterion of legitimate needs? What about the pools of black money in the hands of large firms which they could easily draw upon to meet their need for funds? What about the limitation arising from the side of deposit mobilisation of the banks, given the asset preferences of the public? Even if the 'legitimate' needs (howsoever defined) of large firms engaged in manufacture and trade are fully met by banks, what about meeting similar needs of agriculture and allied activities and small industrial and trading firms? By Parekh's own admission, the latter have to depend largely on non-institutional credit. This is because they are generally rationed out of the bank credit market. Commercial banks in India still continue to provide a major share of their total credit to the relatively larger and well-established firms. If banks are supposed to meet the 'legitimate needs' of the larger firms in industry and trade, why can they not be expected to meet the legitimate needs of all firms engaged in production and trade?

One answer may be that some of the smaller firms do not have adequate and acceptable security to offer to the banks. But this is not the whole answer. A more important answer is that banks, after all, have limited funds to lend, and a major share of such funds continues to be fed to their well-

established customers — in the main, the larger firms. The limitation of funds, it is well known, arises from the total deposits that banks are able to mobilise from the public. If the banking system does not honour this limitation, and the central bank (the RBI) permits banks to create any amount of credit and deposits by providing them with the required amount of reserves either through its discount window or through some other channel, then, it is widely recognised that this excessive expansion of credit can unleash the forces of inflation in the economy by creating a situation of excess money demand for a given output. Alternatively, this means an excess of deficit spending over the surpluses generated in the economy. It is against this kind of danger that academic economists have been arguing, and it is up this primrose path of inflation that Parekh unwittingly wants to lead the economy.

Reasons for Rejection

Parekh has asserted that "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" (p 841). This kind of argument must be rejected outright, and for the following reasons. First, as pointed out earlier, it prescribes a credit policy which is openly inflationary, by ensuring that the banking system will provide whatever amount of credit is demanded to support the same level of *real* economic activity at higher and higher prices; this is the very anti-thesis of *any* anti-inflationary monetary-credit policy. Secondly, Parekh implies by his assertion that there has been no speculative inventory build-up in any sector of industry; if it is counter-asserted that there has been such a build-up, how is Parekh going to deny this; has he looked into the relevant data; are reliable data on the question available; how does he distinguish between speculative and non-speculative inventory build-up; these are questions that arise, and it must be said that in an inflationary climate when producers and traders and even households come to develop inflationary expectations, there is a sense in which all inventory holding is characterised by an element of speculation — speculation of higher future prices.

It is hard to believe that industry and trade do not have the necessary economic motivation to make easy and quick capital gains from mere inventory-holding, when the climate is so very ripe for it. They would, of course, defend it by arguing that in this period of growing shortages and uncertainty, they must have an extra margin of safety by holding extra stocks of essential raw materials and other inputs. What they cannot surely defend is the extra build-up of stocks of *finished goods*, which also is reported to be widely on the increase. But whatever the defensibility of the extra-margin-of-safety argument at the level of an individual firm, it is not at all defensible from the social point of view, when the system as a whole is suffering from acute real shortages. Then the short supply of real goods should be properly distributed in the system. As the households, so the firms, too, must learn to live and operate on rations of fewer days than normal so long as the real shortages last. And the authorities, as guardians and promoters of the social interest, must adopt and implement policies to enforce such a behaviour on the public — despite the latter's unwillingness to submit to such a discipline. This is another way of rationalising the policy of monetary and credit restraint, recommended by academic economists. They see that there is no way whereby the system as a whole can successfully rid itself of the real constraints in the short run. All that the internal working of the system can do is to redistribute shortages to the benefit of some sections of the community and to the loss of others. The function of policy, then, is to redistribute shortages in a rational, equitable manner.

The traders in India, big and small, know very well that they have never had it so good as in the periods of high inflation. The hefty capital gains on mere inventory holdings have fattened them out of all proportions and to the acute suffering and loss of the fixed-income groups in the society. Such large-scale transfers of income and wealth cannot be completely avoided. But intelligent, honest, and timely policy measures by the authorities can lessen substantially the inequities of the inflationary process. And any monetary authority, worth its name, should know how this corrective process always operates. When the credit screws are tightened, they are surely going to hurt someone. Both the producer and the trader, who individually see that they can make a 'kill' by mere hoarding of goods and that the larger the hoarding the bigger the kill, will demand more and more credit, so long as the expected net gains from inventory holdings exceed the cost of credit to them after allowance has been made for various kinds of risks involved. When credit is either tightened or made costlier, they see some of their expected profits disappearing into thin air. Naturally, they would make a hue and cry and advance all sorts of arguments in favour of keeping bank credit both easy and cheap. No wonder, well-intentioned persons fall easy prey to this kind of propaganda.

Inflation Hurts

But it is essential to understand that any kind of anti-inflationary measure, whether monetary or fiscal, is going to hurt the gainers from inflation during the process of adjustment. And, looking to their immediate and narrow self-interest, these people are going to resist such a corrective process of adjustment. Also, the more strongly entrenched they are, the greater and stiffer their resistance. The authorities must be fully prepared to face this kind of resistance. This is as true of the tighter monetary and credit policy and higher interest rates as of cuts in deficit spending. But no inflation can be brought under control without a proper management of the aggregate money demand for output. Production must, of course, be increased. But no one can honestly assert that, in recent years, production and investment by large firms in India has suffered on account of either inadequate or costly credit facilities to them, whatever be the plight of the small producer and investor. On the contrary, the problem of 'excess liquidity' with which commercial banks suffered during 1971 and 1972 is testimony to the deficient demand for 'productive' bank credit from these very large firms — the established customers of banks. Since the beginning of 1973 we do not find any spurt in their production and investment activities either, which is now going to suffer from credit restriction. Thus, the causes of economic stagnation have to be seen elsewhere — not in the inadequate and costly bank credit to large firms. Further, to say that "inflation can *only* be contained by increased production" (p 841, italics added) is not true. For, even with increased output prices will rise, if the aggregate money demand for output outstrips the increased real output (supply). To repeat, this statement should not be misconstrued to mean that increased production is not an important anti-inflation policy measure. It is, and must be given high priority along with controlling the money demand for output.

It is well known how inflation and inflationary psychology harm the true interests of society. It is not for me to go into any detailed discussion of them at this juncture. But it must be repeatedly emphasised that, in addition to large-scale transfers of income and wealth from the economically weaker sections to the richer sections, continued inflation tends to discourage saving and real capital formation, encourages socially unproductive asset holding by the public in the form of real estate, jewellery, and inventories of goods which promise quick and high rates of return in the form of capital gains, discourages socially productive enterprise, distorts allocation of resources, encourages wasteful and conspicuous consumption, creates balance-of payment difficulties, breeds large-scale social and labour discontent and unrest, encourages corruption among fixed-income groups and demoralises the population, thus reeking havoc on the entire social structure.

But to enforce an anti-inflationary process the government must adopt measures in a steadfast manner and not give in to pressure from the gainers from inflation. For reversing inflationary expectations, the public must be convinced beyond doubt that the government means business and that the anti-inflationary policy is not a short-term popular slogan to mislead the common man. In this context, it is a matter of serious social concern that the Reserve Bank after announcing with so much of fanfare a policy of credit restraint for the busy season of 1973-74 succumbed so easily to the false alarms raised by the business community. All along in the past it had been blaming the Central and state governments for excessive deficit spending as the chief source of excessive expansion of money supply. And now it more than gave away through the discount window whatever extra reserves and deposits it had mopped up through upward revisions of the cash reserve ratio and the statutory liquidity ratio of banks. This makes mockery of the policy of monetary-credit control to contain inflation. No doubt, Parekh can take pride in the drubbing the business interests, in collusion with the banks, have given to the RBI's short-lived policy of credit control. The question of appropriate anti-inflationary monetary-credit policy calls for immediate attention and rethinking on the part of the government and the RBI. The latter owes it to the discerning public to come forward with its side of the explanation for its patently weak-kneed credit policy.

On high or low interest rate policy, Parekh asserts that "there is no accepted theoretical basis for working out a rate structure" (p 840). The question at issue, however, was not so much the structure of interest rates — i e, the relation among the several rates of interest which prevail in the money and capital markets — as the level of (the *entire* structure of) interest rates. On this issue, contrary to Parekh's assertion, there is a well-accepted theory in Economics. According to this theory, in equilibrium, the pure (i e, net of risk premium) money (market) rate of interest will be equal to the pure real rate of interest plus the average expected rate of change of prices. In actual practice, the adjustment of the market rate of interest to changing inflationary expectations is very slow. In the government bond market and the commercial bank loan market, the interference by the central bank has also to be reckoned with. But the anti-inflationary policy implication of the above-mentioned theory is clear-cut. In the commercial loan market, the central bank should so conduct its monetary-credit policy that the market rate of interest is fully adjusted to the average expected rate of change of prices — so that, in periods of inflation, the borrower does not derive any special benefit from the expected inflation and so does not boost his demand for credit on that count alone, and the ultimate lender (surplus units) do not suffer real capital losses on account of inflation simply because they are holding monetary assets.

Interest Rates and Inflation

What Parekh has stated about the historical level of interest rates in India and the norm of 6-9 per cent per annum may hold good for only real rates of interest and not money or market rates of interest, or for both only in a climate of price stability when the two will coincide with each other, because the expected rate of inflation will be zero. But this traditional level has no relevance whatsoever, for money or market rates of interest in the current inflationary situation. If the expected rate of inflation is 30 per cent, a money rate of interest of 10 per cent means a ***negative*** real rate of interest of 20 per cent. No wonder, such a situation on the one hand, discourages savings and their holdings in the form of monetary assets, and on the other hand encourages borrowing for mere speculative hoarding of goods.

Thus, in highly inflationary situations, we cannot speak of any particular level of rates of interest being absolutely high or low *without reference to the expected rate of inflation.* In a country characterised by a *steady* rate of inflation of (say) 100 per cent per annum, even a rate of (say) 100 per cent per annum would be considered as low, for it would mean a real rate of interest of only zero per cent per annum. Countries which have passed through hyper-inflation or are currently experiencing hyper-inflation, market rates of interest of 24-60 per cent or even higher, depending upon the expected rate of inflation, are neither unknown nor unusual. It is in this sense that the experience of other countries regarding the behaviour of their rates of interest is relevant to us.

To assure Parekh, economists are not enamoured of high interest rates *per se.* When they recommend that the current controlled rates of interest should be revised upward to neutralise the effect of expected inflation. They do so only as an anti-inflation measure, as a temporary therapy. Once inflation is brought under control and its rate gradually reduced to zero, the market rates of interest should also be brought down to their real levels.

Parekh has shown his concern for the credit needs of the small borrower. But the concern is more apparent than real, because essentially he is concerned about the cost and availability of credit to the large borrower and not to the small borrower, and he refers to the latter only to buttress his case for cheap and easy credit to the former. For, he refuses to envisage a situation in which banks will meet a substantial part of the credit needs of the small borrower even at competitive rates of interest. Instead, he predicts their continued dependence on the unorganised non-institutional segment of India's credit market. In his prediction, he may well be right. But, then, the question arises: For what earthly purpose were the 14 major commercial banks nationalised five years ago with so much fanfare and breast-beating, if not to meet an ever-increasing proportion of credit needs of small borrowers in the near future?

In view of our above arguments in this section, Parekh's characterisation of the high rates of interest as usurious, unsocialistic or exploitative, is a piece of misplaced rhetoric.

SEVEN SEAS TRANSPORTATION LIMITED

Speech of the Chairman, Shri Gopalkrishna Singhania

THE following is the Speech of Shri Gopalkrishna Singhania, Chairman, Seven Seas Transportation Limited, delivered at the Second Annual General Meeting of the Company held on June 27, 1974:

LADIES AND GENTLEMEN,

It is my privilege to welcome you all here at the Second Annual General Meeting of the Company.

You will have observed that the Company's accounting year has now been changed to 31st December from 30th September, to reflect a truer picture of the Company's operations, in view of the fact that the first ship was acquired in January 1973 and the third ship in June 1973.

I am sure that the members will commend the performance of the Company during the very first year of actual operations, that too only for a part of the year, which has resulted in a net profit of Rs 40.22 lakhs before providing for development rebate reserve.

OIL AND COMMODITY BOOM

The oil and commodity boom has brought about a bonanza for countries which are large exporters of these commodities. As a result thereof the share of developing countries in world's exports is likely to increase from 17 per cent in 1970 to 27 per cent in 1974. However, this unprecedented prosperity has not and will not come in the way of countries like India, which do not have commodities like oil, copper, zinc, rubber, tin, etc, where prices have literally gone through the ceiling. This has, therefore, created dismay in the minds of countries without such big commodity earnings as their development plans have been thrown entirely out of gear. Unless, therefore, substantial income transfers *inter se* between the new rich developing world and the rest is brought about, through differential pricing of commodities and long term aid on soft terms, the economies of the affected countries are bound to receive a severe jolt.

BALANCE OF PAYMENTS

The very sharp increase in prices of imported commodities referred to earlier has made the chapter on balance of payments in the Draft Fifth Five-Year Plan obsolete.

It is estimated that India's oil import bill in 1974-75 will be about Rs 1,300 crores, 70 per cent of the total imports in 1972-73. As food imports have become inevitable the total imports in 1974-75 may well exceed Rs 4,000 crores which is 50 per cent more than in 1973-74 and 125 per cent more than in 1972-73. The favourable balance of trade of Rs 164 crores attained in 1972-73 is likely to be converted into an adverse balance of the magnitude of about Rs 1,300 crores this year assuming food imports of 3 million tonnes, imports of crude oil, petroleum products, steel, fertilisers and maintenance items at current levels and growth in exports of 18 per cent.

India is today faced with a basic structural change in her foreign trade. The position will remain extremely difficult during the best part of the Fifth Plan unless some radical steps are taken right now. The first and foremost is giving all possible importance to oil exploration and restructuring of the energy base. Coal development must receive the requisite thrust so that the Fifth Plan target of 135 million tonnes is not only achieved but exceeded. Utilisation of installed capacity will have to be improved speedly through revamping of management so that the draft on foreign exchange can be drastically reduced particularly imports of steel and fertilisers which in the current year may amount to Rs 700 crores. To achieve near equilibrium in our balance of trade by 1973-74 exports will have to grow at a minimum rate of 18 per cent per annum, i e, twice the rate of growth attained during the Fourth Plan, despite domestic shortages. We are today faced with the problem of continuing to preserve our credit worthiness abroad and in which respect we have so far had a first class record.

Our own efforts apart we must use all our diplomatic skills and in which we have not been found wanting during crucial moments, to prevail upon the oil producing countries to adopt a dual pricing structure. Since the oil consumed by the developing countries is hardly 10 per cent of the total world oil exports, the oil producing countries must be made to see the economic and social rationale of such a policy in view of the enormous hardship faced by the non-oil producing developing world as a result of the incredible hike in oil prices. A way out could be to prevail upon the oil producing countries to supply oil to developing countries at pre-October 1973 price levels. Further at least one-third of the oil import bill could be in the form of long term soft loans.

Foodgrains imports of at least 8 to 10 million tonnes seem inevitable during the Fifth Plan. In view of the serious foreign exchange constraints, we will have to increasingly look to large grain producing countries abroad such as USA, USSR, Australia and Canada to supply grains in the form of product loans on the lines of the arrangement arrived at with the USSR last year.

OPENING OF SUEZ CANAL

Surveys conducted some time ago indicated that the reopening of the Canal will not have any major influence on the supply and demand of tramp ships. The importance of this waterway has considerably diminished as a result of the increase in the size of ships and the emergence of oil tankers of over 2,50,000 DWT since the closure of the Canal in 1967. It is estimated that the opening of the Canal may mean a fall in the demand for tramps anywhere between 2 to 3 million DWT and for tankers 8 to 10 million DWT. The current world tonnage is around 500 million DWT out of which the non-tanker tonnage is about 50 per cent, roughly half being employed in tramping. The additional availability of about 2 per cent of dry cargo and 4 per cent of tanker tonnage is likely to have only a marginal impact, but psychologically this could be important.

On the wider plane of India's foreign trade this may have two implications. The time and freight advantage in terms of exports to the Arabian Gulf area may be somewhat reduced. On the other hand as far as India's exports to Europe and North America are concerned, which constitute 70 to 75 per cent of the total, we would be at an advantage, particularly in respect of exports of iron ore. Lack of adequate shipping space, infrequent sailings, and the considerably longer voyage time going round the Cape have been serious deterrents to growth in our exports in the last few years. On balance, therefore, the opening of Suez may be to India's advantage.

SHIPPING PERSPECTIVE

Fifth Plan Target :

The rapid growth of Indian shipping in the last few years has put India on the maritime map of the world. Though the Indian tonnage in operation, currently 3 million GRT, is just a little over 1 per cent of the world tonnage Indian shipping companies have established a good track record with many of the world's leading banks about their capacity to operate fleets of increasing size and diversity in an efficient and profitable manner.

The net accretion of under 0.9 million GRT to India's tonnage during the Fourth Plan does not by itself appear very impressive. However, the tonnage on order at the end of the Fourth Plan was over 2 million GRT. Consequently the Indian tonnage in operation by the end of 1976 will be close to 5 million GRT. This is a commendable achievement indeed.

The Draft Fifth Five-Year Plan target of 8.6 million GRT, with 1 million GRT on order, is indeed challenging. This would involve a gross addition to Indian tonnage of 6 million GRT during the Plan period, after allowing for scrappage.

Ship-Building :

Despite several inherent advantages the progress in ship-building in India has been slow and tardy. Even today the total annual production in the country of ocean going vessels is hardly 50,000 GRT. On the basis of the schemes already approved, the total capacity in the country by the end of the Fifth Plan would be a little under 200,000 GRT per annum. Consequently over 90 per cent of the additional tonnage required during the Fifth Plan will have to be procured from abroad.

If indigenous yards are to cater to India's growing needs of shipping not only the existing shipyards will have to be expanded to their ultimate potential of 475,000 GRT, but a very early decision would have to be taken on establishing at least two new yards so that by the end of the decade the country would have shipbuilding capacity of 1 million GRT and possibly over 1.5 million GRT by the end of the Sixth Plan. Private initiative in setting up such yards should also be encouraged. This would not only help cater to our growing needs but also develop an export potential.

Ship-building and ship repairs capacity must constitute an integral part of overall shipping policy of any maritime nation. Rapid growth of ship-building could also help bring about an enormous saving in foreign exchange. Currently the foreign exchange component in Indian built ships is about 35 per cent of the total cost or 50 per cent of the material cost. With fuller development of the marine ancillary industry this could be reduced substantially to around 20 per cent of the total cost.

The allocation for ship-building made in the Draft Fifth Five-Year Plan is Rs 160 crores. This is inadequate and needs to be increased to at least Rs 400 crores as at current prices a well equipped yard would cost anywhere upto Rs 100 crores.

Financing Acquisition :

At current prices and assuming that 20 per cent of the additional tonnage acquired will be second hand, the foreign exchange outlay required could be of the magnitude of US $ 3 billion, i e, about Rs 2,300 crores at the current rate of exchange. While this may appear to be a staggering sum, around 80 per cent of it could be raised by way of term loans from commercial banks/financial institutions abroad and by way of yard credit. In the last three years increasing resort has been made to acquisition of tonnage by borrowing in the Eurodollar market. India has a relatively high credit rating and has been able to obtain such credits on terms which in some cases have been comparable with those at which the developed countries have been borrowing. However, there has been very heavy demand for these loans lately from even public authorities in the UK, France, Italy and other countries which has tended to keep interest rates at very high levels.

The arranging of foreign exchange finance is indeed an essential part of the ship acquisition programme. However, it is only the first step. Shipping is a highly capital intensive industry and hence servicing and amortisation of loans raised over a period of eight years, which is normally the maximum for such loans whether commercial or yard credit, from freight/charter earnings alone, is not possible except in the case of fairly old ships. Hence suitable Rupee back up on soft terms has been a pre-requisite, particularly in respect of new and relatively modern second hardships, especially for companies which have been in operation for a short period and consequently have not been able to build up substantial reserves and liquidity. The loans advanced by the Shipping Development Fund Committee have, therefore, made a

significant contribution to the progress Indian shipping has made so far.

In the Draft Fifth Five-Year Plan a provision of Rs 243 crores has been made to be advanced to Shipping Development Fund Committee for giving loan assistance for acquisition of ships. This appears woefully inadequate in terms of the financial dimensions of the acquisition programme set out earlier and will have to be at least doubled. Further the current debt equity guidelines for SDFC loans, *viz*, 6:1 with a minimum margin of relaxed considerably. The debt equity ratio, therefore, needs to be relaxed to at least 10:1 and the margin requirements to 110 per cent. What is really of the essence is viability of the operations and earning potentialities. The pre-eminent maritime position of Japan, Norway and Greece has been in a large measure due to the very high leverage used by the shipping companies in those countries. The suggestion that the SDFC will consider more favourably the request for guarantees to enable the shipping companies to raise loans elsewhere is no substitute for direct loan assistance under existing terms for two reasons. Firstly, while the SDFC guarantees could be a substitute for bank guarantees given as collateral against foreign exchange loans raised abroad, it would certainly not provide the liquidity cushion which SDFC loans do for amortisation of foreign exchange loans. Secondly, raising of Rupee loans against such guarantees would pose problems in view of the considerable interest differential and the resource constraint which commercial banks and financial institutions in India are presently facing.

Fiscal Incentives :

Shipping is an internationally competitive industry and its fortunes are subject to cyclical fluctuations, sometimes violent. The rate of return on capital employed has been well below that for other industries. This will be borne out from the figures reproduced below, from the study made by the Reserve Bank of India of 1650 selected public limited companies:—

	Shipping		All Industries	
	1970-71	1971-72	1970-71	1971-72
Gross profit as per cent of total capital employed	6.9 per cent		10.2 per cent	
	6.1 percent		10.2 per cent	

Attractive fiscal incentives and/or operational subsidies to shipping companies are a normal feature in most maritime countries. In India the development rebate, ranging from 20 per cent to 40 per cent depending on the age of the ship, has provided considerable thrust to the growth of the Industry. According to the Finance Act 1974 the availability of development rebate has been extended to 31st May 1975 in respect of ships ordered before 31st December, 1973. In view of the special problems of the shipping industry the extension of this rebate at least during the entire Fifth Plan period would undoubtedly give it considerable fillip.

The proposed initial depreciation of 20 per cent for specific industries or accelerated depreciation now under consideration for shipping, is indeed a very inadequate substitute for development rebate as has been pointed out by so many eminent fiscal authorities. This apart, unless it is specifically laid down in the rules that the actual provision in the accounts need not be more than say 50 per cent of the initial/accelerated depreciation claimable for tax purposes, approximating to the tax saving thereon, it would make it extremely difficult for shipping companies to declare dividends especially during the phase of rapid expansion in the next few years, which in turn will not attract additional capital to the industry.

Administration :

I may also refer to certain administrative problems which are likely to prove as constraints. The attainment of the Plan target would involve acquisition of about 60 ships per annum (average 20,000 GRT). The approval procedures involved will, therefore, have to be considerably streamlined by setting up a coordinating committee comprising of all the government agencies concerned. This is imperative if attractive proposals are not to be lost in view of the fact that offers for sale are normally not kept open beyond 8 to 10 days.

Steps will also have to be taken to ensure the availability of sufficient and competent manpower as more and more sophisticated ships are acquired. The cost per tonne will continue to increase not only because of inflation, but owing to the ships being better units. As it is today, junior officers are conspicuous by their absence and the burden on senior officers has been continuously increasing. This has led to reduced efficiency on the ships which, if not checked now, would lead to lower output as also increase in casualities.

All leading shipping companies in India presently come within the purview of the Monopolies and Restrictive Trade Practices Act as the value of their assets exceed Rs 20 crores. It is quite possible several more companies will come within the purview of this Act within the next two to three years. In an industry like shipping, where the unit value of large bulk carriers and tankers exceeds Rs 20 crores, it is suggested that the applicability of the Act should be substantially relaxed by giving block clearances for the acquisition programme planned by the companies concerned during the Fifth Plan in due consultation with the Ministry of Shipping and Transport. Shipping is truly international in character and the question of "concentration of economic power to the common detriment" is most unlikely especially as the Shipping Corporation of India and its subsidiaries will own around two-thirds of the total Indian tonnage at the end of the Fifth Plan.

Development of Ports :

Modern ships, which are getting larger and larger in size require greater depth of water in the ports. They also require larger land areas behind the berths and modern and faster equipment for loading and unloading. Those ports which have not been able to cater to modern ships have been left behind and the cargo handled by these ports has witnessed a fall due to diversion of traffic to other more developed ports.

The development of ports at Mormugao, Visakhapatnam and Haldia are already in hand which will enable them to handle bulk carriers and oil tankers in the range of 60,000 to 100,000 DWT. Madras and Paradeep ports have also been developed recently to accommodate large sized vessels in the range of 60,000 DWT to 80,000 DWT. However, the development of ports on the west coast—Bombay, Kandla and Cochin have not kept pace. These ports presently can handle dry cargo ships of upto 20,000/22,000 DWT, and oil tankers upto 55,000 DWT at Bombay only. The pattern of cargo handled at Indian ports has undergone marked structural change in the last 20 years. Bulk cargo which formed 25 per cent of the total in the 1950s today constitute almost 75 per cent and is likely to increase to over 80 per cent by the end of the decade. It is, therefore, imperative that our ports are adequately equipped to handle bulk cargoes which calls for specialised equipment and very large land area adjacent to the berths.

The port of Bombay has berth occupancy rate of 98 to 99 per cent the highest in the world. Consequently there is very little time and scope for undertaking dredging operations. Extensive development of the ports at the present locations has serious limitations. Hence a scheme was prepared for a new port at Nhava/Sheva of development of three deep water berths to accommodate ships upto 80,000 DWT. These berths would profitably cater for such vital commodities such as sulphur, rock phosphate, potash, sugar, oil-cake and containerised general cargo. The scheme has been under the active consideration of the Government of India for some years and its development should be included in the Fifth Plan.

The lack of development of ports in keeping with India's growing foreign trade has resulted in enormous congestion at almost all ports. For instance for unloading a 20,000 DWT ship carrying foodgrains takes on an average 2 to 3 days in a port in any of the developed countries as against a minimum of 15 to 20 days in India and even longer on the east coast. This is despite the fact that the productivity of manual labour is fairly high. In Bombay Ports alone 3,000 shipdays have been lost per year on an average involving waiting cost of Rs 4 crores per annum and which well exceeded Rs 6 crores last year, bulk of which is paid in foreign exchange by way of demurrage to foreign flag vessels. Immediate steps must therefore be taken to develop ports on the lines indicated.

Future Prospects

The fluctuations in the freight market are so frequent and marked that it is extremely hazardous to guess the likely freight rates in the foreseeable future. There has been undoubtedly softening in time charter rates consequent to the slowdown in the level of industrial growth in the developed countries. There has, however, been a very sharp rise in ship-building costs. The prices of second hand ships have also gone up enormously being 50 to 60 per cent higher than those obtaining at this time last year and no downturn is yet visible despite softening in freight rates as there are few sellers.

Shareholders will be happy to learn that the Company acquired on 6th May, 1974 at a cost of about Rs 13.5 crores, its fourth ship, a bulk carrier of 75,350 DWT which has been named "SATYA KAILASH". This brings the Company's total tonnage to 142,095 DWT, more than double what it had planned in the first phase of its development. The proposal for this acquisition was processed most expeditiously by all concerned.

I wish to express the Board's appreciation to Shri Raj Bahadurji, the out-going Minister of Shipping and Transport, and also to Shri Kamlapati Tripathi for their stewardship of the ministry. We welcome the new Deputy Minister, Shri Pranab Kumar Mukherjee to our industry. The dynamic leadership provided by the Secretary, Shri M G Pimputkar, has added a new dimension to India's Fifth Five-Year Plan targets and your Board will do its utmost to help achieve them. We would like to thank the Director General of Shipping, Shri S V Bhave, Chief Controller of Chartering, Shri N R Reddi, and the Principal Officers of the Mercantile Marine Department and various other Senior Officers of the Ministry of Shipping and Transport for their guidance, advice and co-operation but for which the progress made by this Company would not have been possible. We also thank the various firms of ship brokers, who have assisted us in buying and finding employment for these ships as also the Food Corporation of India and its staff. We have also been gratified at the very valuable co-operation and support which we have received from all our bankers especially the State Bank of India.

The Company's working to date certainly lends hope for a bright future. Your Company's affairs are in very able hands. The Committee of Directors which has been entrusted with the direction and control of its affairs, subject to the overall superintendence of the Board, has been closely guiding and reviewing its operations. The Company has an excellent team of managerial and technical personnel, both ashore and afloat, headed by Mr B D Kataria, the whole-time Director. The fine performance of the Company has been substantially due to their initiative, diligence and endeavours which deserve our hearty commendation.

I would also like to express my thanks to all my colleagues on the Board for their counsel and continuing interest.

GOPALKRISHNA SINGHANIA

Chairman

Bombay,
17 June, 1974.

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

Agricultural Finance Corporation Limited

Statement of the Chairman, Shri V M Bhide

THE following is the Statement of Shri V M Bhide, Chairman, Agricultural Finance Corporation Limited, at the Sixth Annual General Meeting of the Corporation on Friday, June 28, 1974:

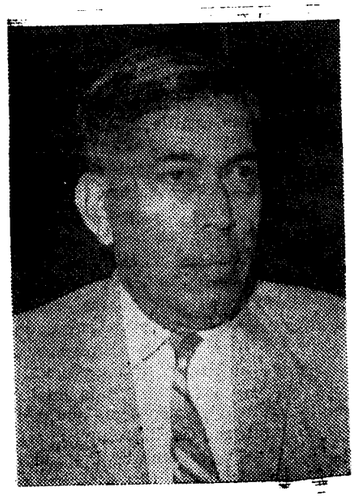
GENTLEMEN:

I have great pleasure in extending to you a hearty welcome to the Sixth Annual General Meeting of your Company. The Directors' Report and the audited accounts for the year ended 31 December 1973 have been in your hands for some time now and with your permission I may take them as read.

The year 1973, as you all know, has been a year of acute economic stresses and strains. The year was preceded by a severe drought which brought in its wake inflation, rising prices and scarcity of important commodities required both for industrial production as well as consumer needs. This situation was further aggravated by the oil crisis which has magnified our problems on the economic front to proportions which posed a challenge to the intrinsic tenacity of our people. It is evident that nothing short of a very bold and imaginative policy dedicated to accelerating production in the entire economic field would enable us to cross the hurdles that we are faced with. It is in this context that I would request you to view the policies adopted by your Corporation and consider the plans it has for its working in the future.

In a vast country like ours even though we have substantial areas endowed with assured water supply, it would be idle to expect that this bounty of nature will be available to us uniformly throughout the country year after year. Droughts due to failure of rain and devastations caused by floods appear to go in cycles from State to State. Efforts at arresting havoc caused by these natural calamities through the successive Five Year Plans have, no doubt, produced laudable results but they are inadequate to meet the requirements.

Unfortunately within a span of just one decade we have witnessed two very severe droughts which extended over large fertile areas. The peculiarity of this calamity has been its extended duration to as many as six cropping seasons in many cases. Our people, particularly the cultivators, who were hit the hardest, faced the situation admirably. The first severe drought of mid-60s had gripped vast areas of Bihar, Uttar Pradesh and Rajasthan while the recent drought of 1970-72 has adversely affected the vast population of Maharashtra and Gujarat. The challenges posed these cycles of drought have brought in their wake some welcome changes also. The first drought of North India brought in a wider adoption of High-Yielding Varieties of food crops throughout Uttar Pradesh and Bihar while the recent drought in Gujarat and Deccan Plateau has directed energies to conservation of water resources through the renovation of percolation tanks, dug-wells and water harvesting techniques. You will be happy to know that your Corporation has associated itself with the efforts at stabilising and increasing agricultural production in the affected areas by taking advantage of the changes in techniques that have emerged. We cannot, however, overlook the fact that efforts to ameliorate the conditions created by these calamities or to prevent their recurrence in areas prone to be affected by them have been piecemeal and ad-hoc in nature. In the face of such calamities the State and the Central Government Organisations as also private philanthropic organisations rush to help the victims and, indeed, make valuable contributions to save the situation. But as soon as normalcy returns, all the agencies seem to turn back and leave the people again to their fate. What we have to consider is whether some stable long term strategy, as was tried out in our earlier schemes for Bihar or the recent schemes of sinking of artesian wells in Tripura to solve the problems of such areas can be found. It is here that I think your Corporation can play a vital role.



Shri V M Bhide

My predecessor, Prof M L Dantwala, in his address in June 1972 as Chairman had remarked, "I would like to submit that AFC is somewhat like a research and development wing serving the commercial banks rather than an independent financial institution". Your Directors' Report will give abundant evidence that he has steered the activities of the Corporation in this direction. I now wish to go a step further and add that the time now appears to have come when the findings of the studies undertaken by this Corporation have to be applied in actual practice by all development agencies in formulating and fruitfully implementing the projects with the help and co-ordination of all other agencies operating in the field, specially the developmental and extension functionaries.

While the recurrence and duration of natural calamities or other handicaps in the way of increased agricultural production, will continue to get our attention and we will endeavour to make a study of these problems, a vital part of our activities will be to divert greater attention to some of the current problems which have assumed greater urgency, taking advantage of the expertise at the disposal of other agencies such as the Planning Commission, Reserve Bank of India, ICAR and other Agricultural Institutions.

The international oil situation has had direct repercussions on fertiliser production both within the country and outside. The immediate effect has been that fertiliser prices have gone up by almost 100 per cent and its availability reduced considerably. This is bound to offer insurmountable problems in terms of our efforts to increase production. Your Corporation has been conscious of the problems raised by this

situation and has tried to minimise the impact of this shortage by recommending to the State Governments a judicious case of the available water resources created through bank finance so that production is sustained, if not increased, as has been done in the schemes formulated by your Corporation in Jalna in Maharashtra, Vaishali in Bihar, Dhenkanal in Orissa, Tuticorin in Tamil Nadu, Murshidabad in West Bengal, etc. Just as it has been scientifically established that the high-yielding varieties do require high dosages of fertiliser, it has also been established that reduction in the dosage of fertiliser could, to a certain extent, be offset by adoption of proper water management techniques, combined with the application of other packages of technology available, including better methods of fertiliser placement and application, use of high-yielding variety of seeds, proper spacing etc. These would no doubt require intensified extension support, whereby farmers having assured water supply are provided with guidance as also other inputs in needed quantities at appropriate time. With this in view, your Corporation had advised State Governments to intensify extension activities in the command areas of wells energised through commercial bank finance. I am happy to report to you that some of the State Governments have responded favourably to our suggestion and have already initiated action.

The Corporation has been active in recommending to the State Governments the use of supplementary manurial resources in the form of urban compost to offset the shortages of chemical fertilisers. Our discussion with the Government of India and some State Governments has resulted in getting favourable response from Agro Industries Corporations and we hope that action will be initiated for the the conversion of urban waste through mechanical means into compost for use in rural areas.

I may, however, add that the increasing role played by the commercial banks in financing agriculture is not yet adequately backed by the extension agencies in the State. There appears to be an impression that once the commercial banks sanction funds for some kind of schemes mentioned in the plans, results will follow automatically. In practice this does not happen. As a matter of fact, entry of the commercial banks in financing individual cultivators or groups of cultivators has increased the burden on the extension agencies which is still to be fully realised. In many cases the cultivators need greater guidance from the agencies in utilising the funds that can be provided by the commercial banks. In fact, the extension agencies will be required to play a vital role in advising the farmers first to formulate projects and continue to guide them until they have harvested their crops. If such a backing from the extension agencies becomes available, the total performance of all the institutions will improve. It will improve the utilisation of the funds as also the productivity of individual cultivators and lastly it will also facilitate recovery of the loans given by commercial banks in time.

Your Corporation has also been in in close touch with the State Governments for the formation of "Core Groups" of their officials in charge of Development Departments to review intensification of agricultural production by an integrated approach and providing extension support to the farmers in those areas where energisation programmes have been financed by our member banks. The State Governments have also responded to this suggestion favourably and have already set up informal groups of Senior Government officials to co-ordinate these activities.

The National Commission on Agriculture had recommended the organisation of Farmers' Service Societies as an institution which would convert credit into agro-services. The Corporation had helped the Banks and the State Governments in the organisation of these Societies and training of their staff. It is, however, too early to make an evaluation of these institutions, but progress reports from some States indicate that Farmers' Service Societies have helped the small farmers in getting institutional finance for agricultural development and that disbursements, utilisation and recovery of loans were being effectively supervised. In this connection, I would, however, like to caution both the commercial banks and the State Governments that it would be wise to organise these Societies only after a proper survey, study of the farmers' response, as also detailing the key personnel including the Managing Director right from the start. It is lot more beneficial to proceed slowly and consolidate the position as we go along rather than build up haphazardly and dilute the standards.

The small farmers have always been given priority in projects designed by the AFC. A quick study was undertaken in six SFDA areas in different regions of the country to identify the constraints on banks' credit to small farmers. As a result of this study, a set of recommendations were sent out to Banks to facilitate dispensation of credit. It will be our continuing effort to make the potentially viable small farmer attain a state of self-sufficiency, if not one of surplus. In this effort, I hope the Farmers' Service Societies will play an effective role.

Effective coverage of borrowing farmers could be vastly increased if co-ordination, between the co-operatives and commercial banks is ensured at the grass root level. I must confess that despite the various Co-ordination Committees that have been set up by the Government of India, State Governments and the Banking Industry starting from the national level to the district level, they are still not in a position to bring about "operational co-ordination", with a view to achieving a greater level of productivity by avoiding areas of overlap, dual financing or effective supervision. As a step forward, the commercial banks were induced to adopt co-operatives where the central tier, *viz*, Central co-operative bank was weak and was not in a position to service the requirements of farmers who were good paymasters and happen to be members of the Society affiliated to such Central Co-operative Bank. However, there appears to be a lurking fear in the co-operative organisations in some States that the commercial banks intend to replace the co-operative institutions by taking up their role. There needs to be greater understanding between the co-operatives and the commercial banks in this regard, when specially it is a known fact that even both of them together will not be in a position no meet the entire requirements of agricultural sector. The co-ordination between the co-operatives and the commercial banks is crucial in the organisation and operational success of Farmers' Service Societies and hence I wish to emphasise this point for the attention of commercial banks as well as co-operatives.

The Agricultural Finance Corporation works in close harmony with the State Governments as also the commercial banks in helping them identify projects, formulate and appraise them, especially innovative projects like, Drought Prone Development Projects, Command Area Development, Tribal Development, Forest Development Corporation, Water Resources and Land Development Corporations. The State Governments have

been increasingly drawing upon the services of the AFC in these areas and I foresee that in the next few years assignments from State Governments would become a major component of the project formulation portfolio of your Corporation. The Co-operation that the commercial banks have been giving to the AFC would be very evident from the Directors' Report. I am happy to inform you that our consultancy portfolio in general has increased nearly four fold compared to last year's level, i e, from Rs 21.61 crores it has gone upto Rs 81.59 crores.

AFC is now focusing its attention to giving personalised service to the commercial banks. Your Corporation will accordingly be initiating discussions with the commercial banks to identifying areas in which services of your Corporation could be better utilised. Many of our non-nationalised member banks have asked for a greater share of our attention and services, especially the smaller regional banks which have a rural base. We would also like to bring them more into the field of agricultural financing and I hope that our efforts in this direction would bear discernible results in the near future.

As I have already pointed out, the prosperity of our agriculture will depend upon, apart from the blessings of weather Gods, the active co-operation between the Agriculture, Co-operative and other Development Departments of the State Governments, the Agricultural Universities, specialised agencies like AFC, ARC and commercial banking institutions. While, as you will have seen from the Directors' Report, we have achieved some degree of success in this direction, we have still to go a long way in securing a fully integrated approach on area development, centred round potential for agricultural production of the area. Our efforts will therefore be to continue serving the commercial banks to reach higher levels of productive lending in the field of agriculture, with a slant towards helping small farmers, oral lessees and dry land farmers and developing backward and neglected areas.

In conclusion, I would like to take the opportunity of thanking my colleagues on the Board for their support and advice to me. On behalf of you all, I place on record our gratitude to Prof M L Dantwala who served as the Chairman with distinction and steered the activities of the Corporation in the right direction with dignity and purposiveness. Our grateful thanks are also due to the Reserve Bank of India, the Banking Department of the Ministry of Finance, Government of India and the Agricultural Refinance Corporation, for their support which has been responsible for what we have been able to achieve. I am grateful to Mr Ghulam Ghouse, Managing Director, for the very keen interest he has evinced in the affairs of the Company. I thank all the Executives, Officers and Staff for their excellent team work and devotion to duty. Thank you.

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

DECISION

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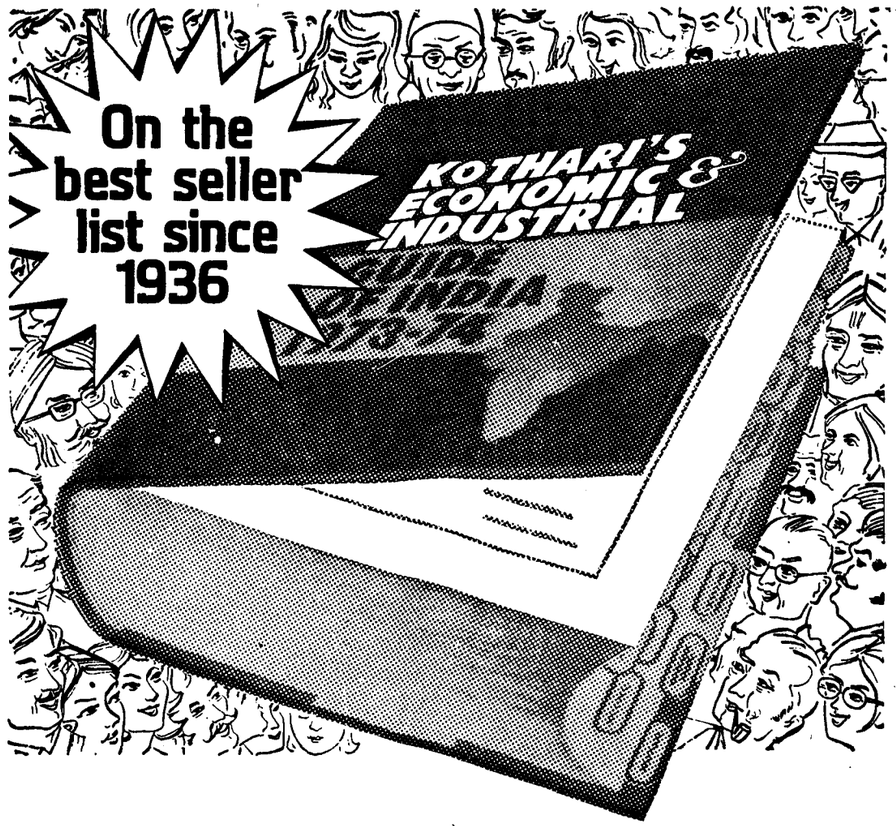
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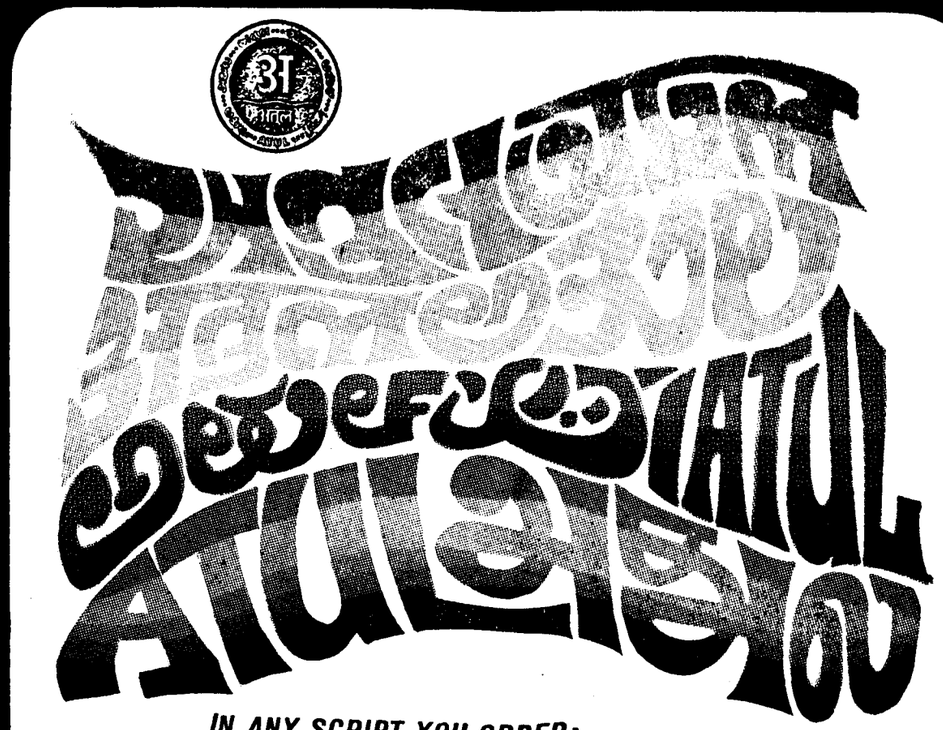
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The Absurdity of It All

THE poor and the relatively poor who have been pushed to the wall by the inflation must, it appears, also get the worst of the government's measures to control the inflation. The details of the Ordinance impounding all wage increases and one-half of increases in dearness allowance — as well as of the other one which limits dividend distribution by companies — are discussed elsewhere in this issue. The inequity of reducing further the real earnings of workers, which is what the Ordinance on wages and dearness allowance seeks to do, is patent, but the measure is in keeping with the government's entire approach to the management of the economy in recent years. The last vestiges of planning having disappeared during this period, the economy has been left to manage itself as a free enterprise market system. In such a system the accepted way of tackling inflation is through deflation. And this, it has been clear for quite a while, is the path the government has chosen.

Even before last week-end's Ordinance curbing the growth of wage and salary incomes, there had operated, through the low and declining levels of investment, particularly in the public sector, a virtual moratorium on the growth of employment and the creation of new incomes. This has now been extended to the incomes of the existing employed. True, incomes of certain sections — rich farmers, traders, those who control companies, high-salaried executives in the public and private sectors; self-employed professionals — had not only not been bridled in but had expanded disproportionately. However, that only meant that the curb on the unborn incomes of those at present unemployed, in the form of cuts in investment and check on expansion of employment, had to be that much more ruthless. How the impounding of wages and dearness allowance will effect the working class is clear; but the consequences for the poor of the cut of over Rs 400 crores in the Plan outlay last year were equally serious, though more camouflaged. Having found that it was not enough to keep the unemployed without jobs and income-less, the government has now launched an attack on the incomes of the existing employed. It is all part of the same approach; to deflate the economy.

It is a grotesque situation. Here is an economy where investment levels have been stagnant for the last ten years; growth of employment has lagged far behind the growth of the labour force; industrial and agricultural production has fallen short of the altogether modest expectations of the government; idle capacity has been rampant in a wide range of industries and, above all, nearly one-half of the population continue to live below the most-austerely defined subsistence level. This is the economy that the government has been *trying so hard* to deflate. There can be no better illustration of the incongruity of it all than the government's decision, at a time when some of the most essential development programmes, whether in power or in public health, are being held back for want of investment funds, not to use for investment the Rs 500 crores or so which are expected to become available as a result of the Ordinance on wages and allowances. Instead these resources are to be kept idle in the Reserve Bank's vaults. *The interest payment on them, amounting to about* Rs 300 crores, would come out of government revenues and so reduce investible resources further. Distrust of investment in a country so desperately short on investment and growth could scarcely go further!

There is no doubt that the impounding of wages and allowances, as well as *cuts in investment*, will reduce the consumption of certain identifiable sections of the population. To the extent that they reduce consumption it can be argued that, other things remaining the same, they would make for a better balance between supply and demand. But that is the same as saying that the demand for food, for instance, can always be adjusted to any given level of supply, provided enough people can be made to starve. In an economy where there already are such a large number of starving people, measures which add to this number can hardly be elevated to the status of policies. In these conditions, it is not enough that a balance is achieved between demand and supply; what is more important is how this is achieved. This applies with equal force to the government's latest anti-inflation measures.

Not that a great deal can be said for their ability to control the inflation. It is well known that for a number of essential consumption goods — whether foodgrains or vegetable oils — the rise in prices has been out of all proportion to the trends in supply and demand. The explanation, of course, is to be found in large-scale withholding of supplies from the market. The last wheat crop is an excellent case in point; with the marketing season drawing to a close, if official figures are to be believed, less than 5 mn tonnes out of an output of between 26 and 30 mn tonnes has reached the market. Those who are

July 1[illegible] the pcks held back from the duction programmeso in the confident exaggerated ot high and rising prices. present ave the economic and polistock muscle to ensure that nothing upto these expectations. In the case of industrial products like cement or paper, their soaring prices have been the result both of long-term lack of investment and growth of capacity as well as deliberate restriction of output. Here, again, the government has proved to be totally helpless. No wonder, therefore, that in sharp contrast to the stock markets which were in jitters over the Ordinance about dividends, the Ordinance on wages and allowances left the commodity markets absolutely cold.

The government is now said to be preparing a compulsory deposit scheme to cover the higher salary earners, the professionals and so on. It is as if it were all a public relations exercise. Since some measure affects the ordinary salary and wage earners, another has to be thought of to curb dividends and a third has to be devised which will seem to affect other well-off sections. But those whose handiwork the inflation really is know the shadow from the substance. Thus the rich farmer or the trader figuring out how to maximise his profits from the stocks of foodgrains he has built up knows that what is material is that releases through the public distribution system are now down to 5 lakh tonnes a month, or less than one-half of the level about a year ago; similarly, the textile mill magnate can count on the fact that the government's scheme for production of mass consumption cloth has died a most unnatural death. With the government having virtually no control over the availability and distribution of the necessities of life, many more will be pushed much nearer starvation, and many over the brink, before the government's deflationary policies begin to have any impact on the inflation.

Food

Along Predictable Lines

B M writes:

FAKHRUDDIN ALI AHMED is unlikely to be missed in the Food and Agriculture Ministry. While Fakhruddin's successor has yet to be appointed, a high-powered Cabinet Committee has been set up under the chairmanship of the Prime Minister herself to tone up the working of the Ministry. How exactly the new committee proposes to go about its business has not been spelt out, but there are few indications of new initiatives or lines of approach. On the contrary, there is already strong evidence that, under the stress of the gathering crisis on the food front — following the complete failure of the new wheat trade policy to secure the minimum stocks required for the public distribution system —, there will be moves to further appease those that are profiting from the crisis.

The government's policies for foodgrain distribution as well as for raising foodgrains production will thus move along entirely predictable lines. While stocks with the government for public distribution are to be augmented by importing about 3 mn tonnes, there will still not be enough to keep the public distribution system going even at the present reduced levels of offtake. From about 1.1 mn tonnes of releases per month — the peak level reached last year — the releases had come down to about 7 lakh tonnes per month for the last several months; they have now dwindled further to barely 5 lakh tonnes. The official argument is that with private wholesalers back in the trade this year, open market supplies are more than last year — no matter at what prices! — and that it is therefore no longer necessary to maintain an extensive public distribution system. The much-advertised ordinance to make the penalties for hoarding and profiteering under the Essential Commodities Act more stringent and the fixation of a ceiling price of Rs 150 per quintal for transactions in wheat by wholesalers are no more than attempts to cover up the government's abdication of responsibility.

There has also followed the inevitable 'crash programme' to boost agricultural production. As in the past this will amount to pumping in additional funds into the kitties of the richer peasantry — all in the name of providing fertilisers and high-yielding varieties of seeds and digging wells and installing pumpsets. Past experience is that, in terms of making available greater marketable surpluses at lower prices, the impact of all this expenditure is imperceptible. On the other hand, the outlays on such crash programmes are known to have bolstered the hoarding capacity of the rich peasants.

Similar contradictions can be traced also in the field of fertilisers. Great anxiety is being routinely expressed about the fertiliser shortage. The states have as usual pitched their demands as high as possible. Their estimate of requirement is 4.4 mn tonnes of NPK for this kharif season alone, although consumption for both the kharif and the rabi seasons in the current agricultural year was only 3.2 mn tonnes. Even the Indian Council of Agricultural Research always a votary of high fertiliser use, has mildly warned that the role of high cost inputs should not be exaggerated. Yet the states' exaggerated estimates of requirements have been considered enough justification to build up pressures for larger imports for which ever more aid will be sought.

At the same time, there has been further back-sliding on the fertiliser production programme. In the wake of the oil crisis, the realisation had at last dawned on the government that reliance on imported feedstocks for fertiliser manufacture was inadvisable. There was talk of coal-based fertiliser plants though the enthusiasm for such plants never went beyond the verbal stage. Now, however, even the verbal enthusiasm for coal-based fertilisers has been abandoned — again, predictably, in the name of achieving quick results in fertiliser production. An important part of the brief that has been prepared for the Cabinet Committee on Food is that the decision in favour of coal-based fertiliser plants should be modified and naptha-based plants should be encouraged. The specious plea is that the expenditure on import of naptha will be offset by the corresponding 'saving' on lower imports of fertilisers.

Calculators

Farce of Exports

THE licensed capacity for manufacture of desk calculators now exceeds 80,000; however, production last year was a dismal 4,000 or so. Yet the government is said to be considering licensing further expansion of capacity for calculator manufacture.

Indigenous development of desk calculators has been in progress for at least six years. Early models, such as the one at BARC, used transistors and were therefore relatively large and unwieldy. NELCO was the first to go into production with such a model, but soon gave up due to the high cost (about Rs 13,500) and also because in the meantime the government permitted manufacture of calculators using imported integrated circuits. The Department of Electronics set up a panel in 1971 to report on the prospects of manufacture of desk calculators on a large scale. The major issue to be decided was between manufacture using local components (i e, transistors) and manufacture with imported integrated circuits.

Predictably, the decision went in favour of use of imported technology and components. Equally predictably, little attention was paid to the development of the technology and of the components within the country.

Integrated circuits with their inherent miniaturisation and higher reliability offer prospects of lower cost and smaller size. Small-scale integration (the equivalent of about 5-10 transistor circuits) can be used for desk calculator manufacture but with higher assembly costs since about 100 such 'chips' would be required for the larger models. On the other hand, medium and large-scale integration (the equivalent of 200-2,000 transistor circuits) reduces the number of 'chips' required for a desk calculator to around 5 to 7. With this development, making a desk calculator now involves simply designing a plastic moulded case, assembling the chips on a small printed circuit board and putting together the keys and the display panel. Integrated circuit manufacturers abroad supply the minimal circuit layout, so that the development required locally is trivial.

When those licensed to make calculators were permitted to import integrated circuits, all of them naturally chose to get large-scale integrated 'chips' to cash in on the advantages of low assembly cost and high retail price (Rs 3,000-7,000 for calculators made from a kit of imported components costing $ 50-75). In fact, some 'manufacturers' have even imported whole calculators in knocked-down condition and marketed them after no more than a change of brand labels!

Examination of the list of desk calculator manufacturers shows that large business houses have found this a highly profitable avenue of diversification with low capital investment and a false facade of participation in high technology manufacture. The same manufacturers are now awaiting the government's decision on grant of licences for manufacture of mini-computers. Large-scale integrated circuits are now available that will, at one level of operation, allow mini-computer manufacture also to be a semi-assembly operation.

What, it may be asked, are the considerations which have influenced the pattern of development of the desk calculator industry? Certainly, the product is not so essential as to have justified its manufacture in the country at any cost. Equally certainly, there have been no technological spin-offs of any kind from the manufacture of calculators which have simply become yet another semi-luxury item, with those favoured with licences making easy money by charging scarcity prices for a product assembled from imported components.

To assuage their conscience — or to pull wool over the eyes of potential critics —, the licensing authorities have slapped on seemingly impressive export commitments, ranging from 25 to 50 per cent of output, on calculator manufacturers. And it has been reported that the export obligation would be fixed even higher for new units or for expansion of capacity. However, it is a laughable idea that Indian manufacturers with production capacities of 3,000 and 4,000 calculators a year can successfully enter the international market in calculators which is dominated by large American, Japanese and European manufacturers with well established brand names. Not surprisingly, therefore, the government has to offer all sorts of incentives and subsidies on export of calculators which today attracts a cash subsidy of 20 per cent, import replenishment equal to 30 per cent of the value of exports and duty drawback at the flat rate of Rs 175 per calculator. A little calculation will show that with these incentives, it will pay any calculator manufacturer to export dummy calculators and remit the 'export proceeds' by purchasing foreign exchange in the black market so as to claim the cash subsidy, the import replenishment and the duty drawback. In fact, this is precisely what some manufacturers are known to be doing. The less unscrupulous ones simply dump their calculators at throwaway prices so as to fulfil their export obligation. Some manufacturers are said to be exploring the possibility of exporting calculators to the East European market and one at least has claimed bagging a substantial export order. Such exports would be simply to spend about $ 50-75 foreign exchange per calculator for earning a roughly equal amount in non-convertible rupees.

If the government's objective was only to earn some foreign exchange by encouraging assembly of calculators in the country for export, there might have been a case for getting one or the other of the established international manufacturers of calculators to take advantage of our low labour cost and set up assembly facilities in this country on condition that all or most of the output was exported. Of course, in that case there should been no illusions about development of indigenous technology. If, however, as the Department of Electronics, like the Department of Electronics likes AFC's claim, the objective is to build up when own capabilities in the field of electro-as nics, manufacture of calculators, or for that matter of so-called mini-computers, should not have taken the form of assembly of imported components, but should have been based on manufacture of the essential components in the country, preferably at one or the other of the public sector electronics units. It is amazing that despite the paraphernalia of a separate Department of Electronics and the Electronics Commission, a supposedly high-powered expert body, which has the last word on all matters connected with the development of electronics industries, the establishment and growth of calculator 'manufacture' in the country has been so thoroughly misguided and aimless.

Scheduled Castes

A High Price

RANMALPUR village in Surendranagar district of Gujarat was the scene of a particularly vicious attack on scheduled castes by caste Hindus on June 22. Two scheduled caste men, Devji Dahya and Bijal Govind, were brutally murdered with spears, dharias and lathis by a 300-strong mob of Kanbi Patels. Seven scheduled castes were injured in the attack. The rampaging mob ransacked and looted every one of the 19 harijan houses in the village.

Ranmalpur is a small village with a population of only about 1,500 of whom the majority, around 1,000, are landowning Kanbi Patels. The scheduled castes, numbering only about 100, live in a cluster of huts just outside the village. There had been open tension between the Kanbi Patels and the scheduled castes for quite some time before the attack on the scheduled castes on June 22. This was known to the district authorities. Yet the only precautionary step they took was to post two policemen in the village. So ineffective was this protection given to the scheduled castes that during the attack by the Kanbi Patels the wife of the village sarpanch was able to disarm one of the policemen by taking away his rifle!

The cause of the tension between the scheduled castes and the Kanbi Patels in Ranmalpur was the Patels' refusal to allow the scheduled castes to use the village well to draw water. The village has two wells, one of which was traditionally used by the scheduled

castes. This well dried up two months ago, forcing the scheduled castes to turn to the other well for water. The Kanbi Patels resented this though, unlike the scheduled castes who are entirely dependent on the village well, they have available to them a number of farm wells to draw water from. The Kanbi Patels have no special rights over the village well and, in fact, it is illegal to prevent use of village wells by anyone. Yet this is precisely what the Kanbi Patels tried to do. Early attempts by the scheduled castes to use the well resulted in scuffles with the Patels and it is very likely that had the scheduled castes not organised themselves to resist the Patels they would not have been able to use the well. Significantly, Devji Dahya, one of the two victims of the attack by the Patels on June 22, played the leading role in organising the scheduled castes. Faced with the Patels' refusal to let the scheduled castes use the well, Dahya had lodged complaints with the police. Some Kanbi Patels were arrested as a result, though only to be released on bail immediately.

The organised fight put up by the scheduled castes finally forced the Kanbi Patels to agree to a compromise, which still reflected their caste bigotry and their contempt for the scheduled castes. Thus it was stipulated that the scheduled castes would be allowed to use the well only during fixed hours, very early in the morning and late in the evening. Further, the scheduled castes were not to be allowed to use the well directly; instead, water from the well was to be filled into troughs near the well and the scheduled castes were to be allowed to use only water from these troughs.

However, the Kanbi Patels did not reconcile themselves to even this compromise, with its humiliating conditions for the scheduled castes. Though they resented the very idea of the scheduled castes being allowed to use the same well as they, what enraged them even more was the fact that the scheduled castes had organised themselves to a point when they were able to force the Kanbi Patels to agree to a compromise. The main object of their hostility was Devji Dahya who had taken the lead in organising the scheduled castes. The attack of June 22 was evidenlty intended to teach the scheduled castes a lesson and to once again put them in their place.

The known details of the attack indicate careful pre-planning and also testify to the Kanbi Patels' bitter hatred of the scheduled castes. Thus the time of the attack was so chosen that most of the scheduled caste young men were then away from the village. Similarly, it was clear that Devji Dahya had been picked out as the main target by the attackers. The venomousness of the Kanbi Patels is brought out by the fact that both Devji Dahya and Bijal Govind were mercilessly pursued and literally hacked to death. Bijlal Govind was murdered right inside the village temple where he had sought shelter. His body reportedly bore 40 wounds. Devji Dahya had tried to hide himself inside a large earthen jar. He was forced out of it with dharias and spears and killed right in front of his wife and daughter. Those who have talked to the Kanbi Patels, some of whom were among the attacking mob, after the attack have found their attitude to be that whatever had been done had to be done to save the honour and prestige of the Kanbi Patels which the scheduled castes, under the leadership of Devji Dahya, had sought to threaten.

Some 120 persons, including the sarpanch of the village and the police patel, have been arrested in connection with the attack. As usual, the police investigations will take long to complete and it will be many months before the accused Kanbi Patels are brought to trial. It is a common experience that, even when the police investigations are pursued seriously and efficiently, guilt is not easy to establish in cases involving mob attacks of this type. This is all the more so because prosecution witnesses, who will almost all be scheduled castes, can be terrorised and mob made to keep quiet. Right now, despite the stationing of an SRP platoon in Ranmalpur, the scheduled castes are terror-striken. They have been subjected to an economic boycott by the caste Hindus. They cannot buy grain and other provisions from the village shops and have to depend on supplies from scheduled castes of neighbouring villages.

The government is taking a strait-jacket law and order attitude. In a quaint gesture, reminiscent of colonial administrations, it has imposed a collective fine on the Kanbi Patel population of Ranmalpur — supposedly to meet the cost of the SRP platoon posted in the village. There has been no gesture of positive sympathy and help for the ravaged scheduled castes from the government. Nor has any of the political parties been drawn by the scheduled castes' plight.

The scheduled castes of Ranmalpur have been thus left very much to themselves to lick their wounds — and perhaps to rue the day when they decided to cross the path of the Kanbi Patels.

Soviet Aid

Hard Counter

AFTER the success of his officials, at Paris, in soliciting aid from the Western Consortium, the Finance Minister took it upon himself to visit the Soviet Union and Czechoslovakia on a similar mission. The main purpose of his mission, however, was not to seek more credit but to try to secure better terms of aid from the eastern bloc of countries. Chavan thus attempted to persuade the Soviet authorities that they should give non-project aid and further ease the terms of debt servicing from the present standard of a 2 per cent rate of interest and a 12-year repayment period.

He does not appear to have met with much success, however — the usual expressions of friendship and goodwill on both sides notwithstanding. The Russians, we should know by now, are hard bargainers. And the latest affirmation of their no-nonsense dealings in bilateral arrangements is seen in their response to the pipe-dreams in Indian official quarters that the Soviet Union could be persuaded to allow us to participate along with it in some of the projects it is undertaking in third countries. This arrangement was seen as holding potential for greater exports of engineering goods from some of the plants in India aided by the Soviet Union.

The Soviets have put it that Indians may participate in this business if they too are willing to match the credit terms the Soviets themselves offer to their clients in the third countries. Obviously, this is not an attractive proposition for India which made the counter proposal that the Soviet Union could be the customer for these supplies destined for the third countries and that the payments for such supplies could be adjusted in the trade account between India and Soviet Union which is negative for India. The Soviet Union has bluntly turned down the suggestion.

Agricultural Finance

Jack of All Trades

THE Agricultural Finance Corporation (AFC) has completed six years and its Sixth Annual Report for 1973 underlines its anxiety to justify its existence. A good deal of work is being done and yet all is not well with AFC. Why is this so?

When banks were brought under social control, the major banks (now nationalised) decided to establish the AFC with an authorised share capital of Rs 100 crores (which, incidentally, is four times the authorised capital of the Agricultural Refinance Corporation, set up by the Reserve Bank in 1963) to act as the consortium leader for banks in the field of agricultural lending. The banks wanted some agency to handle agricultural finance on their behalf and in association with them. They put up a total share capital of Rs 5 crores and AFC made an ambitious beginning. Its outstandings (inclusive of interest) as the end of 1973 were Rs 3.33 crores to State Electricity Boards, Rs 13.39 lakhs (after excluding Rs 6.64 lakhs written off as bad debt) to others as secured advances and Rs 3.42 lakhs as unsecured advances. The figure of advances has not changed much between 1972 and 1973, indicating that shortage of funds has forced the AFC to practically stop lending.

It goes to the credit of the AFC that, faced with this situation, it has diversified its activities. The AFC has been unable to expand its lending business because, after the nationalisation of the 14 banks in 1969, banks have not increased their share capital to augment AFC's resources. Agriculture having been designated a priority sector, banks have been anxious to show increases in their own agricultural advances. They have raised their advances (direct and indirect) to agriculture from Rs 162 crores in 1969 to Rs 429 crores by March 1973. The AFC and banks have thus become competitors in financing agriculture. This has posed a challenge to the AFC's survival.

The AFC has attempted to meet this challenge dynamically. It is now providing consultancy infrastructure and personalised services for agricultural lending by banks. As its former Chairman, M L Dantwala, said in 1972, "AFC is somewhat like a research and development wing serving the commercial banks rather than an independent financial institution". The AFC is now busy helping state governments and banks to identify projects and to formulate and appraise them, especially innovative projects like Drought Prone Area and Tribal Area Development schemes and forestry schemes. Just in one year — between 1972 and 1973 — its consultancy portfolio increased nearly fourfold from Rs 21.61 crores to Rs 81.59 crores. Out of schemes worth Rs 105 crores formulated/appraised by AFC between 1968 and 1973, the bulk of the work appears to have been accomplished in 1973.

The question, however, is how many of the 110 schemes which the AFC had formulated/appraised till the end of 1973 have been accepted and sanctioned by the concerned banks. If many of them have not been implemented by the banks (AFC's Annual Report is silent on this point), is that because the banks are not keen or that the AFC schemes have lacked flesh and blood to enable the banks to go ahead, without much further work, with their implementation? It would be in the AFC's interest to give the actual progress of the schemes formulated by it so as to set at rest doubts about the quality of its project formulation and appraisal.

One can, however, legitimately ask why AFC should try to become a multipurpose all-India consultancy agency when the real need is to have separate consultancy agencies specialised in the field of minor irrigation, rural electrification, processing of agricultural products, fisheries, etc? Will not the AFC's technical competence be diluted when it attempts so many varied activities as agro-aviation, market yards, energisation of irrigation wells and even crop loans? Will there also not be overlap between the AFC's work and that of the ARC, the Rural Electrification Corporation (REC) and other similar bodies. Would it not be better if the AFC concentrated its efforts in certain areas or lines of business? Certainly, it is questionable that the AFC should try to become a training agency for other developing countries in the techniques of project formulation and appraisal. The AFC should not fall prey to the temptation of image-building at the cost of thorough professionalism. These issues have so far been swept under the carpet. But the sooner the government, the Reserve Bank and the concerned banks tackle this problem, if necessary through the appointment of a special expert committee, and define the role of AFC vis-a-vis the ARC, the REC, the banks, etc, the better it would be for all these bodies.

LETTER TO EDITOR

Shah's Writ Here Too?

THE expulsion from this country of the Iranian students was a mockery of all legal norms (April 13, 1974, p 574). Some of us Bhopal pressmen had met Nosrat Temoorzaddeh — one of the Iranian students who was later expelled — on April 5 when a Bombay police party had brought him here. According to Inspector Pawar of the Bombay police there were "no charges" against Temoorzaddeh. He was brought to Bhopal to pack up his belongings and to complete certain formalities at the local Maulana Azad College of Technology where he was a third year student.

Despite the police officials' reluctance we succeeded in talking to Temoorzaddeh. He told us that he had been given the option of going back to Iran or any other country of his choice. He had decided to go to West Germany which was the headquarters of the International Iranian Students Confederation. This makes it obvious that the decision to expel him was taken much before the formal expulsion order was served on April 11.

It is possible, as indicated in your comment, that the order came from New Delhi to please the Shah on the eve of Indira Gandhi's visit to Iran. However, it is more likely that there was some sort of arrangement between the Iranian Consul-General in Bombay and the Maharashtra police and administration. There have been accusations that money might have played a role. These apprehensions gather strength from the fact that the Special Branch had got the expelled students booked on a flight passing through Teheran.

Temoorzaddeh told us that he feared harassment of his family members in Iran, including his 90-year old father, but he seemed undaunted. He told pressmen: "No matter how much an individual suffers we will continue our struggle". One may try to trace the political aspect of the episode from another statement he made: "All the progressive people, especially those believing in Asian Collective Security, should understand that all their slogans will remain hollow until the fascist regime of Shah continues".

N K SINGH

Bhopal

Calcutta Diary

A M

HE who escapes, lives: so goes that adage in Sanskrit. Young people from middle-class homes evidently are sold on it. The travel regulations are pretty rigorous; to arrange a passport can take months; foreign countries — even those who were generally hospitable in the past — have gradually clammed up; most of the time an uncertain future awaits the young men and women who migrate. Still they are not deterred. It is not so much the pull of distant lands: the reason for their eagerness to take the plunge is more humiliating. They want to escape from their native place, from its hopelessness and claustrophobia. These youngsters are a near desperate lot, bonds of emotion do not detain them, they want to forsake their heritage. Every day, you can see them crowding at the foreign consulates, swallowing the insults, and ignoring the brush-offs, from lowly-placed officials.

Hazardous Occupation

One can rail against them. One can berate their lack of dignity, castigate them for their selfishness, be aghast at the poverty of their ideals. To sit in judgment over the conduct of others is however a hazardous occupation in all seasons. Moral issues are hardly ever resolved through polemics or through a show of hands. More often than not, patriotism merely provides instances of of I-have-loved-thee-Seneca-in-my-fashion. Some of the young people would even argue that, by leaving the country, they are lessening the burden of problems for the rest of the nation: the authorities will now be saved the bother of worrying about *them*. Pitted against this, is the by-now-stylised argument: the nation has invested so much of its scarce resources over so many years to feed and train these young men and women, they therefore have no business to depart, along with the capital embodied in them, to foreign shores. An opportunity cost is involved in rearing and educating them: to allow them to leave is akin to a total write-off of a certain volume of invested funds, which this poor country can ill afford. A would-be emigrant, slightly disturbed by the moral aspects of his decision to get away, will perhaps commit himself to remitting from abroad the equivalent of the estimated sum till now spent on him by this society. Or perhaps he will turn round and counter-attack: the accident of birth is an accident of birth, his commitment is *not* to his native land, but to science and technology, and he will be in a better position to contribute to both if he is permitted to work, under immensely more congenial conditions, in a foreign laboratory or plant than at a dreary place at home. He might even decide to be viciously belligerent: if the nation were interested in him, well, it should have provided him with wages and facilities commensurate with his talent, and in accordance with international standards. The majority of would-be emigrants will however stay away from controversies. They will not even try to rationalise their decision, or to provide it with a moral cloak. They escape for bread-and-butter reasons: because, with all its uncertainties, life is still much easier in a foreign country, corruption is less rampant, bureaucracy is a shade less hidebound, and jobs are still comparatively a-plenty. It could be that the existence over there will be drab and anonymous, maybe one will miss the challenges and excitements one faces at home; but maybe one will also avoid the tensions and frustrations, the pettinesses, and the lack of opportunities. There is, after all, only one life to live: make the most of it while you can, if necessary even at the cost of alienating the large, large numbers of your own people who are not as lucky as you are, who cannot escape.

There is, no doubt, a certain heartlessness in the phenomenon. Given the structure of distribution of assets and incomes in the country, some people suffer more than others do from the social and economic stagnation. Those with the advantages of an appropriate education and a disproportionately large share of the capital stock are able to get something out of even the decaying system. And, as they succeed in extracting more despite the lack of growth, the availability of goods and services and hence the standard of living are *pari passu* reduced for the others. If you want to stay alive, escape: says the adage. But those who are impoverished do not, cannot, escape to foreign lands. Even to escape, you need assets. It is only those who have assets — and 'connections' — who manage to fly away.

Should one roar against them? Lack of idealism is however hardly a culpable offence. And making the most of the opportunity of free mobility is, after all, one of the proclaimed virtues of the system of *laissez faire*. Before firing an ideological salvo at them, one must also be sure of one's own moral foundations. Patriotism cannot be forced into an individual's metabolism: either he has it, or he has not. There can be no cram course where you pay the fee and pick up lessons on how to love the country. One comes to patriotism through one's sense of pride in one's native land. That pride is a gradually disappearing category for a not-altogether-insignificant number in this country. Recent events have ushered in a kind of non-philosophical anarchism. There is a loss of pride in the nation's achievements, perhaps because these have been so few and far between. From loss of pride follows the loss of a sense of involvement. The young people try to escape: they suffer from no ethical bind. Life is not worth living here, escape, join the rush to Canada, try hard for an immigration visa for the United States, wangle a work-permit-cum-entry certificate from the British High Commission. Arrange something and go, go, go. Let the nation be left to its own devices. To stay on in India is to condemn oneself to the daily grind of despair; escape while there is still time, while the visas and the entry permits are still relatively easily grabbable.

Valid Datum

Stop the world, we want to get off: say these youngsters from middle class homes. Another lot of them, also from middle-class homes, equally sick with the state of affairs in the country, choose another course. Those of them who do not get killed are locked away. Does one venture to sit on judgment on either — or both? Must not those who stay behind and continue to fight for principles to be preferred to those whose thoughts turn towards escape — most of the time, comfortable escape? But that too would be an exercise in preferring between systems of values. And this is a hazy world, ruled by indeterminacy. But that the rate of economic development has been brought down to near-zero is a statement which does not involve any moral dictum: it is a fact. The opportunities for gainful work have almost totally dried up is another fact. That corruption has proliferated, both inside the citadel of power and outside is an equally valid piece of datum. That the credibility of the government has been so eroded that many will not thrust it even over the time of the day cannot be denied either. But, beyond such assurances, what else can one cling to? Gloom and loss of faith, a feeling that nothing matters any more; the blurring of distinction between idealism and the lack of it: these are the staples of the day. There was, perhaps, at one point of time, an excess of identification between the processes of the government and the nation's aspirations. This, the cynic would say, was the left-over gift of *socialist pretension*. Now that the government has been seen plain, the crumbling of faith has dragged each and every thing down. The nation is infested by hypocrites: the proposition passes by a unanimous show of hands. The nation has been captured, and is being led, by a claque of crooks: motion approved again. The nation is altogether lacking in moral principles, for this is what the leaders have reduced it to: again, the proposition wins, hands down. The nation does not any longer grip you, it cannot therefore command your allegiance. The amorality at the aggregative level is matched by a frightening array of individual amoralities. Call it brain drain, call it the apotheosis of talent, the rush to forsake the native soil therefore continues, and you are admonished to withhold your moral judgment. The stringency in 'P' form regulations cannot stem the tide. People find devious ways to give the nation the slip. They manage to get away from it all.

Those who make the get-away do not stop to consider the plight of the millions who cannot escape, who will have to remain behind, grist in the mill of the ruling class. Now is for now, and each is for himself or herself. Those who can, escape, for they have learned that those who escape, live. Whether those that are left behind deserve an equal opportunity to live is a thought which does not detain them: this callousness they have picked up from the environment which currently defines the nation. This cynicism, in a manner of speaking, synthesises within itself the saga of the Indian tragedy. Shut your heart against the past and the future, now is for now. What is even worse, right is wrong and wrong is right, and none could tell it all by sight. Crass authoritarianism can now pass for humanism; fascist behaviour can parade as socialism; putting the squeeze on the poor can be trumpeted as another milestone on the road to egalitarianism. Crooks are rewarded with national honours; opportunism is elevated to the status of a national code; debauching the modalities of justice so as to serve a sectarian cause, is applauded from official forums; bending the administrative process for furthering a narrow, partisan objective is asserted as a fundamental right; the country's economic future is bartered away through heavy borrowings abroad and the operation is described as a decisive step towards self-reliance. The pride is gone; not because this nation is poor, nor because the nation has little to show by way of achievement in any sphere, but because it — rather, its self-styled leaders — have promoted lack of integrity as the centrepiece of the new morality. The listlessness one senses is the listlessness which follows from an abdication of faith. One particular code of faith, on which one was wont to lean, has been sabotaged, and no surrogate seems to be around. Nobody knows for certain how long the interregnum is going to be, or whether this tunnel, where one waits, itself constitutes the remainder of one's existence. Since no specific co-ordinates of social behaviour are any longer considered viable, people make their own rules. Some of the stragglers, the old-fashioned ones, still join processions, dream dreams, and crowd into prisons. Others, who have liberated themselves, either make their pile in the black market, bribe ministers and buy governments — or quit the land. In the absence of a community preference map, who is to judge who are the saints and who are the sinners? The climacteric of the Indian drama is at hand: right is wrong and wrong is right, and who can tell it all by sight?

CAPITAL VIEW

The Trouble about Ordinances

Romesh Thapar

GOVERNMENT by Ordinance is the pattern these days. Apart from the fact that the speculators have to be curbed, there's no time to go through the tedious procedures in Parliament which permit disruptive lobbies to build, lobbies that paralyse action. And action is urgently demanded because political survival is directly dependent on it. The Government of Indira Gandhi is gathering all its courage to force compulsory saving at the point where it has deflationary meaning — at the level of the working force. This is a categoric decision and may mean a confrontation with the trade unions.

Yes, this is quite contrary to what has been the general style these last twenty-five years. The curb on dividends from shares is an attempt to be fair, but anyone with a modicum of statistical knowledge knows that the inflationary pressure in India is not building from a tiny minority of rich families. Some more measures are also promised to compel saving in these affluent areas. However, we still wait for the attack on the parallel black money economy, euphemistically called "the unorganised sector". Until it is cracked, hoarding and conspicuous spending will continue.

A great deal of speculation has already begun on whether these measures (neutralising some Rs 500 crores) will curb the runaway inflation. If the debate does not underline it, at least government is aware that Ordinances of the kind that have been announced cannot hide the fundamental truth: that productivity through full utilisation of existing capacities and further expansion of productive capacity in critical areas are the real answers to inflation. It is in this shadowy area of bureaucratic delays, corruption, incompetence and indiscipline that correction is slow, terribly slow.

If we continue to study at the feet of Heath and Wilson when it comes to designing Ordinances, the wonder is why we do not also adopt some of the reforms which the rather easy, free-wheeling British have inserted into their system of administration and accountability. Maybe, we could start by using the telephone — crossbars notwithstanding! — more frequently to get prompt decisions. Why should we forever be writing chits and counter-chits in these days of grave paper shortage?

The trouble with so many enthusiasts of economic regeneration is that they do not understand 'the system' and how it operates to prevent anything from happening. In the Capital, one is forever bumping into the power-

ful cadres who constitute "the system". Pleasant, honourable fellows who live rather simple lives. Socially attractive. But mean, unthinking dastards when they are sitting in their offices. That's what the system does. And its a system that needs a brutal surgical operation. The sooner the better — or else the people might turn butchers.

Occasionally, one comes across an extraordinary fellow who *is* performing, despite all the weight of tradition and inertia. This great Government of India has no way of picking him up and giving him more and more challenging tasks. Routine promotions, the emphasis on amenability, the perpetual frown for the experimenter, the impatient soul, and the total lack of reward heighten the palsy of the administration. I could write a whole issue of this weekly on the extraordinarily criminal usage of personnel.

At this juncture, when the Government of Indira Gandhi is beginning to stir — yes, even against its corrupt friends — it is necessary to warn that the crisis will not be resolved through Ordinances alone. Leadership will have to be intelligently re-established at every level before we can even hope for greater productivity and performance. The location of talent and expertise in a continental situation is in itself a massive undertaking. So far the power hierarchy has relied exclusively on its very inadequate list of friends — and they've been a crashing failure.

Have we ever thought of investing in a compact computer? We could keep programming it with relevant information on qualified personnel drawn from all over the country. Want someone for a job, just press a button — and out pop the relevant cards. A computer could be a vital aid to "the system". But, then, what would happen to the joys of patronage, of having friends wherever one needs them? What would happen to communal quotas, regional quotas, caste quotas? Bright young men would start pushing from underneath. Certainly the ferment would become productive.

Terrible thought. Let's keep them loyal — lazy, inefficient, corrupt, but loyal. Let's hope the Ordinances will do the trick. After all, Fakhruddin Ali Ahmed is all set to be President. A new age begins. For Fakhruddin Ali Ahmed or for Indian agriculture? God alone knows. . .

Meanwhile, Siddhartha Ray is getting into hot water over his corruption inquiry. L N Misra, famed far and wide, has lost his grip over Bihar. Bansi Lal in Haryana has a son to cope with. And Malhotra, that extraordinary Chief Cashier of the State Bank who gave Nagarwala Rs 60 lakhs in a trunk on a telephone call or some such thing, has surfaced as a Congress Party stalwart in Delhi!

July 8



COMPANIES

Good Results despite Dim Prospects

Hansavivek

METAL BOX COMPANY OF INDIA's chairman, Bhaskar Mitter, says that the growth of the market for consumer packages has been restricted by a stagnant economy, output constraints at the packers' end, and rising packaging material prices, and that these factors have led to steady shift from consumer packaging to bulk packaging and loose retail sales. He sees little hope of any substantial improvement in the output of tinplate, board, paper, plastics and aluminium, although their production capacities are much underutilised. In addition, new excise levies have been regularly imposed on both packages and packaging materials. All these factors, he says, have clouded the long-term prospects in packaging. The company has, therefore, been examining possibilities for diversification, both related to and outside packaging. A beginning has already been made with a small equity investment in a new glass bottle-making company and a joint-sector printing machinery unit. Agreements have also been finalised for the manufacture in India of a wider range of sophisticated machinery. Besides, some other proposals are being discussed with government. Meanwhile, the chairman views the immediate prospects with some optimism, since demand for the company's own products remains strong. However, he feels that inflation, materials shortages, lack of adequate power, and growing foreign exchange problems, may have a recessionary effect on the company in the second half of the year.

Last year, MB had to contend with power crisis in West Bengal, Tamil Nadu and Haryana, where five of its 10 units are located. Even so, net sales were 14.3 per cent higher than in the previous year, but this was chiefly due to increased selling prices. With trading margins widened, gross profit jumped by nearly 80 per cent. It is explained that package prices stood 36 to 60 per cent higher in April 1974 than the January 1973 levels, while basic packaging materials were 52 to 196 per cent dearer over the same period. Much of the increase in the company's selling prices came during the latter half of the year and as such is not fully reflected in the 1973-74 sales. Equity dividend has been stepped up three points to nine per cent, but still finds better cover than in the previous year. The company spent Rs 46 lakhs on research and technical development against Rs 30 lakhs a year ago. Export earnings increased from Rs 62 lakhs to Rs 71 lakhs.

SHREE RAM MILLS has turned out good results for 1973 in line with the performance of the textile industry as a whole, although the overall profits were restrained as a result of the yarn control order and inability of the engineering division to achieve the expected results on account of 'steep increase' in prices of major raw materials which could not be passed on to customers. These handicaps notwithstanding, margins widened impressively, as reflected in the sharp advance in profit in spite of a small increase in total sales. The directors are of the view that if costs and supply of raw materials are not very adversely affected and if the power situation does not worsen, both the foundry and machine tool accessories divisions would show reasonable profits this year. Machinery and equipment worth about Rs 29 lakhs, chiefly for the textile division, were purchased last year. The styrene monomer project of Hindustan Polymers, in which the company has invested Rs 88 lakhs, went into production in April 1973, but it has been facing considerable difficulties. Some of these have been overcome and production of styrene has been raised from 30 per cent to around 50 to 55 per cent. Certain additional equipment, available indigenously, has to be installed to bring the project to full production. The company had filed two writ petitions against the collector of Central excise regarding excise duty on Lappet and Butta cloth. The High Court delivered judgments in favour of the company, but the orders have been stayed to enable the opponent to consider what further proceedings they should take in the matter. The amount of excise duty involved in the dispute is Rs 8 lakhs.

BLUE STAR lifted its sales by 30 per cent to Rs 17.12 crores last year, but its gross profit was up by less than 9 per cent at Rs 76 lakhs, owing to inflationary pressures and spiralling costs of raw materials and labour. These results followed a 5 per cent increase in the net value of production at the Thana factory. The manufacturing operations were affected by shortage of raw materials, particularly copper tubing. Contingent liability in respect of gratuity to employees for the period upto the end of 1971, amounting to Rs 11 lakhs, has not been provided for. One of the notes appended to accounts discloses that certain defalcations by an accounts officer and some staff members came to light towards the end of

the year. The amount of Rs 2,27,470 due by these persons has been shown under 'other advances' and has not been provided for. It is stated that severe steps have been taken and that an amount of Rs 52,481 has since been realised. The company has launched a new model of water cooler which will be useful for small industries and commercial establishments. Also, new models of deep freezers have been developed. The company is now producing its own airhandling units and has developed instrument desks and trolleys for a wide range of sophisticated electronic equipment — till recently imported. The company stepped up exports of its standard products by about 20 per cent and also secured three orders for air conditioning of new textile mills in Indonesia and Thailand.

According to B T Advani, the new chairman who took over after the demise of the founder chairman Mohan T Advani, the company may have to consider later this year a 'rights' issue to meet the requirements of working capital, if inflationary conditions are not brought under control. Meanwhile, total income in the first five months of the year has been well ahead at Rs 7.21 crores compared to Rs 5.88 crores in the same period last year, although it is doubtful if, with all-round rise in costs, the increase in profit will match the growth in income. The 3,500 preference shares of Rs 100 each, issued pursuant to the prospectus dated June 24, 1969, are convertible into equity shares on the expiry of five years from the date of issue at the option of the shareholders. The company will fix a period of 30 days during which the preference shares will be converted at 20 per cent below the market rate of equity shares prevailing on the date of the notice or at par, whichever is higher. The shares will remain non-convertible thereafter.

KILLICK NIXON's all the three manufacturing divisions, namely, machinery, pre-stressing and furnace, experienced disturbed industrial relations during the latter part of the past year and complete stoppage of work from October till about mid-February last. All the divisions carried a large backlog of orders, several of which were cancelled and cancellation of some more was threatened by customers. Normalcy was restored following an interim settlement and, since then, the company has been concentrating on expeditiously executing the orders on hand. The furnace division, however, continues to face a difficult import licence position and problems in securing necessary raw materials. Among the other operating divisions, the drilling division fared better owing to heavy demand for drilling equipment, following severe drought conditions in several parts of the country. A few larger-sized drilling machines were airlifted from UK and, after assembling, were despatched to drought-affected areas of AP, Gujarat and Maharashtra. The steel sales division had another record year with order bookings well exceeding the previous year's figure. Sales of aircraft spares were also satisfactory. Sales of Snowcem products continued to show improvement, but those of Caribonum and Dexion products registered declines. The performance of the domestic appliances division improved. In spite of adverse factors affecting cargo movement in the India/UK conference trade, the shipping department performed well. Commission earnings from diamond exports also continued to be satisfactory. KN's accounts show that margins were slightly shaded. The unchanged dividend of 9 per cent is adequately covered by earnings.

The Week's Companies

(Rs in Lakhs)

	Metal Box		Shree Ram Mills		Blue Star		Killick Nixon	
	Latest Year 31-3-74	Last Year 31-3-73	Latest Year 31-12-73	Last Year 31-12-72	Latest Year 31-12-73	Last Year 31-12-72	Latest Year 30-11-73	Last Year 30-11-72
Paid-up capital	694	694	200	200	80	80	125	125
Reserves	413	370	212	168	64	51	105	102
Borrowings	939	751	485	570	126	146	215	197
of which Term Borrowings	362	371	170	174	6	6	—	—
Gross fixed assets	1490	1381	922	891	100	89	139	135
Net fixed assets	947	910	298	310	62	59	56	57
Investments	8	5	93	92	—	—	177	175
Current liabilities	1235	881	138	113	778	570	222	183
Current assets	2327	1783	643	649	986	780	434	374
Stocks	1405	939	506	489	647	507	170	117
Book debts	872	747	128	105	315	262	245	243
Net sales	4140	3622	1144	1025	1712	1313	559	557
Other income	24	31	66	42	11	9	92	78
Raw material costs	2314	2127	418	406	1339	988	56	56
Wages	855	726	310	273	187	152	120	119
Interest	130	108	56	64	13	13	20	23
Gross profit (+)/loss(—)	306	172	109	21	76	70	41	42
Depreciation provision	75	70	43	45	8	7	5	6
Tax provision	133	44	—	—	44	41	22	19
Net profit (+)/loss(—)	98	58	66	—24	24	22	14	17
Development rebate provision	12	11	4	1	1	1	—	—
Transfer to reserves	25	6	42	—36	12	10	8	6
Dividend								
Amount	P 1	1			P 1	1		
	E 60	40	E 20	12	E 10	10	E 11	11
Rate (per cent)	P 6	6			P7.80	7.80		
	E 9	6	E 10	6	E 15	15	E 9	9
Cover (times)	1.40	1.15	2.10	—	2.20	2.00	1.27	1.54
Ratios (per cent)								
Gross profit/sales	7.39	4.74	9.53	2.05	4.44	5.33	7.35	7.54
Net profit/capital employed	4.79	3.17	7.35	—	8.88	7.94	3.15	4.01
Inventories/sales	30.40	25.93	44.21	47.71	37.79	38.53	30.41	21.00
Wages/sales	20.65	20.04	27.10	26.63	10.92	11.57	21.43	21.39

INFLATION—I

Facade of Action

THE government has introduced, effective from July 6, what it has described as anti-inflationary measures in the form of two Ordinances and a subsequent administrative notification. Under the Additional Emoluments (Compulsory Deposit) Ordinance, 1974, all additional wages and allowances payable to an employee for one year in pursuance of any wage revision would be impounded in a compulsory deposit account, known as the Additional Wages Deposit Account. The Ordinance also provides for compulsory deposit of one-half of the additional dearness allowances payable hereafter for a period of two years in an account known as the Additional Dearness Allowances Deposit Account. These compulsory deposits will carry simple interest at 2.5 per cent above the maximum bank deposit rate (which is now 8.5 per cent). The amounts so deposited will be repaid in five equal annual instalments after one or two years, as the case may be, together with interest. Earlier repayment is to be permitted only in cases of extreme hardship. The amounts of wages and dearness allowance transferred to these compulsory deposit accounts will not be taxable but the instalments repaid will be treated as arrears of salary and taxed accordingly. Interest income earned on these deposits will be exempt from tax upto the prescribed ceiling along with other earnings from financial assets like dividends, interest on bank deposits, etc.

The government apparently felt that it would not be able to sell this obnoxious Ordinance, which amounts to a partial wage freeze, to government employees as well as the organised working class in the public and private sectors without taking some measure seemingly directed against the richer sections. Hence, the Companies (Temporary Restrictions on Dividends) Ordinance, which imposes, for a period of two years, a ceiling on the quantum of distributable profits at one-third of net profits or an amount required to pay 12 per cent dividend on the face value of equity shares, whichever is less. Reflecting its casual approach to this particular measure, the government is still not clear about the definition of net profits. The official press release on the two Ordinances clearly stated that "the first Ordinance provides for a scheme for limiting after-tax profits distribution by companies". The next day, the Cabinet Secretary, who explained the rationale of the two Ordinances to the Press, quoted a study (possibly that of the Reserve Bank) to show that companies were paying 45 to 49 per cent of their net profits as dividend. If it is the Reserve Bank study that he had in mind, the percentages relate to profits net of tax provision; on profits before tax, the relevant ratios would be 29 to 32 per cent. Curiously, the Ordinance makes use of a concept of net profit as defined in some unrelated sections on the Companies Act, 1956, which now have only historical significance. These are sections 349 and 350 which define net profits for the purpose of fixing the share in company profits of erstwhile managing agents — as profit after providing for depreciation but before taxation and development rebate. Again, the deduction of depreciation permitted under these sections is on the written-down value basis and not on the straight line basis which is adopted for company taxation purposes and hence used in the published accounts of companies. Whether the one definition of net profits is accepted or the other will make considerable difference to the implications of the dividend curb.

Confused Approach

The same confused approach is reflected in the government's failure to envisage the possibility of bonus issues by companies consequent upon the dividend restraint. It was only two days later that the government tightened the restrictions on the frequency of bonus issues. The time-lag between two successive announcements of bonus issues has now been increased from 18 months to 40 months. Similarly, the minimum gap for making an application for issue of bonus share, after the scrip in respect of the last bonus issue has been listed on the stock exchange or after the completion of despatch of the relevant share certificates, has been increased from 12 months to 36 months.

A third confusion, though a minor one, is with regard to the assertion by the Cabinet Secretary that "the present permitted rate of return on preference shares is 9.5 per cent and the new scheme would enable it to be raised to 12 per cent". Apart from his failure to realise the implications of a uniform dividend rate on equity (risk) capital and preference shares, it is obvious that it is not at all the intention of the Ordinance to encourage the dividend rates on preference shares to be raised to 12 per cent. The existing rates of dividend on preference shares are to continue; the ceiling of 12 per cent is on equity capital. And the two together are not to exceed one-third of net profits.

The rationale for the two Ordinances has been explained in a variety of ways. The Ordinances themselves state, in their preamble, that their promulgation is "in the interest of national economic development". The Cabinet Secretary described them as anti-inflationary and claimed that their net effect would be that about Rs 500 crores of purchasing power would be held back in the first year of their operation and that money supply would be reduced by 5 per cent. The Rs 500 crores comprise Rs 50 crores of dividends withheld by the companies and Rs 450 crores as a result of the impounding of dearness allowance in the next one year (but not necessarily in the current financial year) in respect of about 18 mn employees: 6.1 mn in the private sector and 11.9 in the public sector consisting of 3 mn Central government employees, 4.6 mn state government employees, 2.5 mn employees of public sector undertakings and 1.6 mn employees of local bodies. The Central and state governments and public sector undertakings, it has been estimated, would be required to pay their employees Rs 575 crores by way of additional DA and the private sector Rs 325 crores, together making Rs 900 crores. Wages impounded would be in addition to this.

Government spokesmen are apparently unaware of the distinction between impounding of purchasing power so that it is not available for current consumption and reduction in money supply. Assuming that the ratio of income velocity of money supply for the entire national income is also applicable to wage income, the arresting of money supply expansion on account of the wage restraint would be one-fifth, considering the current income velocity of money supply of 5. Even this prob-

able arresting of money supply expansion has been wrongly interpreted by the government spokesmen as contraction of money supply to the extent of 5 per cent of the existing money stock of about Rs 11,000 crores.

More important, the relationship between expansion in money supply and additional wage disbursements is very remote. Expansion of money supply takes place essentially through the borrowing capacities of the government and the commercial sector from the banking system. There could be wage and salary increases without any increase in money supply or conversely vast increases in money supply could take place without any significant increase in wage and salary payments. To cite recent experience, the years 1969-70 to 1972-73 saw hardly any increase in the dearness allowances of employees in major industries in the private and public sectors. For instance, the average dearness allowance of a Bombay Textile worker in money terms increased by less than 5 per cent per annum during this period when the rate of increase in money supply accelerated from 11.8 per cent in 1970-71 to 15.7 per cent in 1972-73. Additional wages are paid out of profits and particularly in a period of high financial liquidity in the economy and high profits, the question of expanding money supply for additional wage and salary payments should not arise.

As for the withholding of dividend payments by companies, the estimate of Rs 50 crores seems to be based on the assumption that the limit would apply to net profits before taxation. The companies in the private sector, it is estimated, would have distributed about Rs 160 crores as dividends during 1974-75 in the normal course and about one-third of this is likely to be saved as a result of the restrictions on dividend payment, if net profits prior to taxation is taken as the basis. If, on the other hand, profit after tax is considered, the dividends withheld may amount to about Rs 75 crores.

These fine points of arithmetic apart, the main criticism of the Ordinances is that they expose the perversity of the government's approach to controlling the inflation. As it is, the real earnings of the working class has been considerably eroded — even for those groups of workers who are paid dearness allowance linked to the cost of living index. The cost of living index for Bombay (base 1960=100) has increased by 20 per cent from 225 in May 1973 to 269 in May 1974. During the same period, the monthly money wage of a cotton textile worker has gone up by 6 per cent from Rs 283 to Rs 300! At the All-India level, the consumer price index for industrial workers (base: 1960=100) had reached 294 in May, showing a rise of 50 per cent over the index two years ago.

Incidentally, it is ironical that government spokesmen should, while expounding measures for curbing inflation, assume that there would be five additional DA increases before the end of the fiscal year 1974-75 even if the Consumer Price Index for Industrial Workers remains constant at the April 1974 level of 283. It has already galloped to 294. The Finance Minister who presided over his Ministry's Parliamentary Consultative Committee, admitted that an effective price policy needed action on many fronts and that the government intended "doing all that is in its power to discourage hoarding, increase the supply of essential commodities and ensure their equitable distribution". If the government were serious about these other measures, the impounding of workers' earnings would have been redundant. The fact that the government has assumed continued prevalence of high cost of living in its calculations of the impact of the Ordinance on wages and dearness allowances shows that it has acknowledged its powerlessness against hoarders and blackmarketeers.

The differential treatment given to the funds arising out of the impounding of additional wages and dearness allowances on the one hand and the curbs on dividends also calls for comment. The former would be impounded in special funds with the Reserve Bank of India and "would not be used as a resource for government expenditure". On the other hand, the savings out of dividends are to be left with the companies as retained earnings. This raises a fundamental issue about the government's own misgivings regarding its ability to employ the funds mobilised by it productively. Even the government has apparently been converted to the view that private sector companies use their funds to better purpose than the government. If the argument is that the funds so immobilised should not be put into circulation again, it should hold equally for the funds arising from the dividend curb.

The curb on dividend would involve a substantial income-tax loss to the government. According to the Income Tax Revenue Statistics for 1969-70, a dividend amount of Rs 83.19 crores assessed involved a tax assessment of Rs 36.78 crores, i e, a tax burden of 44.2 per cent. Thus, if dividend payments are reduced by Rs 50 crores, the loss to the government would amount to about Rs 22 crores. If the reduction in dividend is Rs 75 crores, the loss would be about Rs 33 crores. Instead, the government could have immobilised the funds and taken them as capital receipts for a nominal interest payment. Likewise, it has committed itself to the payment of as much as Rs 300 crores as interest on the wages and dearness allowances immobilised even though the funds so immobilised will be kept in the Reserve Bank's vaults. These funds too could have been taken by the government as capital receipts and used for improving investment in the public sector. Or, even if it were insistent on completely immobilising the funds, it still had the option of retiring its market debt raised through treasury bills and of showing a surplus budget.

It has been argued that the Rs 50 crores (or Rs 75 crores) saved through the restriction on dividend payment will be available to be used for investment, expansion and diversification. In the same breath, it is also suggested that the companies' dependence on bank funds would get reduced to a corresponding extent. In the first place, banks do not generally grant large loans for long-term investment purposes. Secondly, the companies can easily inflate their working capital requirements and get away with not reducing their borrowings from the banks.

Two implications of the restriction on dividend the government has clearly failed to appreciate. First, the higher retained earnings on account of the dividend curb will accrue on the whole to the larger companies. Out of the total estimated retained earnings of about Rs 170 crores of the entire corporate sector, as much as Rs 126 crores or about 74 per cent was with 293 large companies. Among them about 200 companies have been paying considerably higher than 12 per cent dividend. These are the companies which will get the largest chunk of the increase in retained funds. Genuine medium companies will continue to be starved of funds for expansion.

Secondly, and more importantly, a vast proportion of the additional funds with companies will be concentrated in the non-priority, non-core industries. On the other hand, industries like cement, paper and fertilisers will continue to be short of funds for expansion.

INFLATION—II

Inequitous and Irrelevant

THE government can at last claim that it has taken some specific measures to curb inflationary pressures in the economy. However, even a cursory examination of the measures in question shows that they will hurt some sections without containing the inflation.

The first measure requires the deposit with the Reserve Bank of half the increases in salaries and dearness allowance; the former for a period of one year and the latter for a period of two years. The funds so impounded will earn interest at 11 per cent per annum and will be returned in instalments over the subsequent five years. The second measure restricts dividend payments for two years to the lower of (a) one-third of profit before tax or (b) 12 per cent of the face value of equity shares.

Evidently, the main objective of the limit on dividend distribution is to make the impounding of additional wages and dearness allowance palatable to workers and salary-earners by creating the impression that the government is treating capital on par with labour. This appearance of even-handedness is entirely spurious, however.

Payment of dearness allowance compensates workers, in most cases only partly, for increases in the cost of living that have already occurred. To the extent that half the dearness allowance is now sought to be impounded for two years and made returnable over five years, the real income of the wage-earners will be reduced for the duration of this period. By contrast, the restriction on dividend payment involves only a temporary redistribution of available profits between companies and and their shareholders. To the extent dividend distribution is reduced, the companies' finances will be strengthened, and, once shareholders get over their immediate disappointment, they will find their equity improving. There is no suggestion that the saving in dividend payment as a result of the imposition of the ceiling is to be transferred to a government authority or is to be immobilised.

There is some confusion about whether the limit of one-third relates to pre-tax or post-tax profits. If it relates to pre-tax profits, as the ordinance clearly says, then the one-third limit is broadly in line with the dividend distribution practices of most companies. The bite, therefore, lies in the limit of 12 per cent on the face value of equity shares. It will affect particularly companies which have not distributed bonus shares in the recent past.

The interest payable on the impounded wages and dearness allowances has been fixed at 2.5 per cent above the highest rate on bank deposits which is 8.5 per cent at present. An interest rate of 11 per cent may appear generous at first sight, but two factors have to be borne in mind. First, the impounded wages will be returned over a period of six years from the date of impounding and the impounded dearness allowance over seven years. Second, the calculations underlying the official estimate of the additional dearness allowance which is likely to become payable show that the government is expecting a further price rise of 15-20 per cent. The 11 per cent rate of interest will not, therefore, compensate workers for the decline in the real value of their impounded wages and dearness allowance.

There is another element of inequity in the measures — that between the organised and the unorganised sectors. The measures extend only to the former. The vast sector of traders, the self-employed and the like remains untouched.

The limit placed on dividend can have little deflationary impact — except to the extent the stock exchanges work themselves into a bearish frenzy. Companies have been left free to use the additional liquidity resulting from the curb on dividends to build up assets, fixed or current.

The impounding of wage and dearness allowance increases will, of course, reduce purchasing power in the economy. But taking the government's own estimates, the impounded purchasing power will come to less than 1 per cent of national income and less than 3 per cent of income in the organised sector. When the rate of rise in prices is around 2.25 per cent per month, action in this scale will be hardly effective.

The policy options before the government are narrowing with the passage of time. This is happening not only because the price situation is becoming progressively more difficult but also because the area subject to the influence of government policy — the organised sector — is becoming relatively small. And should this year's harvest turn out to be poor, the government's ability to take corrective measures against inflation will be practically extinguished. Even now, the range of anti-inflationary measures has to be wide enough to touch all the upper sections of society. They have to cover not only monetary and fiscal policies, but also industry directly. A straightforward reduction of inventories and trade credit and a reduction in the stock of purchasing power with the public have to be the main elements of an anti-inflationary policy. By contrast, the measures taken so far are of a petty-fogging nature.

Incidentally, what the government has succeeded in doing is to add vastly to the administrative burden all round. In the process of immobilising Rs 1,050 crores over two years and returning Rs 1,350 crores (including interest) over five years, the government would be involved in 105 million transactions (15 million in each of the 7 years) of which 30 million in the first two years will have to be executed monthly!

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

A STRONGER BASE FOR THE FUTURE

NATIONAL AND GRINDLAYS BANK GROUP

Profits for 1973 were lower than in 1972 principally because of the effect on our London profits of the high level of interest rates. At the end of 1973 the Bank Group was able to add to its reserves £3.7 million from the Group Profit and Loss Account. The high level of interest rates has continued to affect adversely our 1974 operations in London, but elsewhere the Bank and its Group are making steady progress.

We have in 1973 built a stronger base for the future than we have had before. Taking the whole management team together, they are stronger and better organised to carry on business internationally both at home and overseas.

We now operate directly or by active participation with associates in 33 different countries overseas, having added to our network during 1973 Germany, Greece, Indonesia, Malaysia, Philippines and Zaire.

AFRICA

Our business in Africa, with the exception of Uganda, has shown useful progress. Our new subsidiary in Zaire—Banque Grindlay Internationale au Zaire—started its operations in November.

ASIA

In the Bank's traditional overseas territories in Asia the results were up to expectations, despite some restrictions on credit and other effects of inflation. Enquiries for foreign currency loans from these territories for general purposes and for special projects have been more numerous in 1973. Negotiations for the loans that follow these enquiries involve a great deal of research and other work on the part of the Bank, and very often nothing tangible results. But there have been some useful successes and the Bank has been able to show that we are not just 'fair weather friends' of countries which we know well.

In Cyprus, Jordan, the Gulf and Oman results were definitely good. In the Far East, Dao Heng Bank continues to live up to our expectations. We are extending our activities in Hong Kong to include a wider range of banking services, partly through Grindlays Dao Heng Finance Company Limited which started business in August 1973, and partly through Brandts. In Japan we expect to start a full branch in Tokyo in June. In Malaysia, the Asian International Merchant Bankers Berhad, in which we are joined by Malaysian partners and the Fuji Bank, opened for business in October 1973. In Indonesia we have established a joint Representative Office with the Bankhaus Ludwig in Jakarta. In the Philippines we have acquired a 20% shareholding in Genbancor Development Corporation which produces for us a partnership with Filipino interests and two Japanese banks.

EUROPE

In Europe existing activities were strengthened in France and Switzerland, and new ventures were begun in Germany and Greece. In London results were dominated by the interest rate. Gillespies had a satisfactory year. This fulfills the hopes which we had of combining a sound confirming house business with National and Grindlays widely spread experience and contacts. Gillespies are planning to expand their base of operations into the Far East in the near future.

On the travel side, Cox & Kings are now the official tour operator for Air India for tours to India from the United Kingdom, and other new travel facilities are being developed.

OIL

The explosion in oil prices has produced wholly new problems for the economies of the less developed world. It is in that less developed world that we have much of our traditional business. It is our expectation, and certainly our hope, that the world Bank and governments of the developed world with the help of oil producing countries will, in the months ahead, produce satisfactory plans to fulfill the essential needs of these countries so that economic conditions can be stabilised and development continue.

The preceding are extracts from the annual statement of the Bank's Chairman, Lord Aldington. He also said:

STAFF

I extend on behalf of all my colleagues a sincere word of thanks to all members of the Group's management and staff wherever they may work, for the strenuous efforts which they have contributed to the success of the Bank.

GRINDLAYS

This is the last time I shall be writing an annual statement of National and Grindlays Bank Limited. The name will change on the 1st January, 1975 to Grindlays Bank Limited. Historically, Grindlays is our oldest name—146 years. May the new Grindlays Bank and all who work with us enjoy happiness and prosperity.

GROUP HIGHLIGHTS

	1973 £	1972 £
Capital & reserves (including loan capital & minority interests)	79.0 m	70.4 m
Deposits	1,330.3 m	1,021.7 m
Advances	728.7 m	557.4 m
Profit after tax before extraordinary items	3.95 m	5.07 m
Total addition to revenue reserves including extraordinary items	3.7 m	3.4 m

GRINDLAYS IN INDIA

ORIENTATION TO SOCIAL AND CUSTOMER NEEDS

The National and Grindlays network in India looks back on 1973 as a year of rapid and far reaching changes in the organisation, and in the business undertaken.

MARKETING

In 1973, we created a new marketing structure. Account Managers, trained in marketing and in modern methods of credit analysis, were posted in the larger cities. These officers are our front-line marketing management, charged with identifying the needs of customers and potential customers in specified market segments, and arranging to supply finance and allied services to satisfy those needs.

OPERATIONS

Other changes were put in train for improving the processing and delivery of our customer services. In this vital area, which we designate Operations, emphasis is being laid on providing special training for our officers and clerical staff, systems are being changed and modernised and office layouts and premises redesigned. By these means we are confident that we shall improve the quality and speed with which we serve our customers.

MbO

In pursuance of our management development policy, we have adopted the participative mode of Management by Objectives (MbO). Officers specially trained in Britain installed. MbO in our Western Region (Bombay) in 1973, and this life-style will soon be in operation throughout our entire Indian network.

SMALL-SCALE INDUSTRY

April 1973 saw the inauguration of our Small Scale Consultancy Services Division in Calcutta. This received a heartening response from the public in Calcutta, and led to our extending this service to Bombay. The Division offers a variety of specialist management services in the fields of systems design, marketing and financial control. The services of this Division are available to our customers and non-customers alike as it is our aim to provide a service which will add a new dimension of profitable growth to units in this vital sector of the Indian economy.

EXPORTS

Exports have been a priority in this Bank for over a hundred years. In 1973 our customers did particularly well in exports and we plan to give increasing and innovative attention to this sector.

STAFF DEVELOPMENT

We are conscious that further progress in the directions planned is possible only with systematic development of our human resources at all levels. Manpower planning, training and development are therefore receiving our closest attention. Our credit analysis training establishment—'ASIACAD' in Calcutta—provides advanced credit skills to our marketing personnel. We have also established in Bombay basic training in executive skills. This, and training in the techniques of modern banking, will soon be available to our staff from Regional Training Centres in Bombay, Calcutta and New Delhi. Our training facilities, including those for credit analysis training, have been made available to a limited extent to other banks and this will continue.

GRINDLAYS IN INDIA:

	1972	1973
	Rs. crores	
Deposits	334	368
Advances	232	265
of which:		
Small Scale Industry	14	17
Exports	52	62
Other priority sectors	5	6
Vital Industries:		
Engineering	38	45
Tea	31	30
Textiles	25	33
Chemicals	21	22

National and Grindlays Bank Limited

(Incorporated in the U.K. Members' liability limited)

The international bank at the nation's service

ASP/NGB 3.B

SOUTH

Behind the 'Normalcy'

Mohit Sen

ANDHRA has been quiet for many months now. The storm of the separatist movement seems like a memory of a distant and faded past. In official quarters it is called a return to normalcy, but this normalcy is itself left undefined.

There is the normalcy, of course, of the Congress practice of accommodating the most outspoken opponents of official policy. The separatist chieftains who had sworn to finish with the Congress unless Andhra was bifurcated have not only forgotten their pledges but are today among the chief pillars of the Vengal Rao Ministry. It has to be said to the credit of the present Chief Minister that he was and remains a staunch integrationist. But it has also to be said that it is he who has taken the initiative to bring in the separatists into strategic posts in his Ministry.

It should not be thought that this is a sign of strength, although Vengal Rao certainly does strike this pose. His claim is that it is his unchallenged position that acts as a powerful pole of attraction drawing everybody into its field. There is an element of truth in this assertion. And it is thus that any Congress Chief Minister is able to fairly quickly extend his factional frontiers. But these frontiers have an equally inherent tendency to contract no sooner does the incumbent change. But, paradoxically, the strengthening of the Chief Minister through the policy of cajoling the separatists is a manifestation of the crisis of Centrism.

The essence of the crisis of Centrism is the attempt to substitute a policy drive against the Right by concessions to them in the field of policy combined with a series of organisational adjustments. The idea of Vengal Rao appears to be to defuse the separatists by inducting them into the power system of integrated Andhra Pradesh. This is a remarkable example of class-blindness since it was precisely from this power system that the separatists emerged in the first place. And there need be no doubt that in the most unlikely eventuality of a recrudesence of the separatist sentiment, among the vast intermediate strata the government and the ruling party would fragment quite as much as in the past.

But it is not really to win a broad consensus for integration that Vengal Rao has acted in the way he has. There is a deeper class reason behind it. And that is the attempt that he is making to unify the landlords, particularly of the capitalist variety, behind his government. The induction of all the former separatist bigwigs into the Ministry is precisely meant to secure the support of the delta landlords who undoubtedly had serious reservations about him on account of his unflinching stand in favour of integration. And it is not only by this means that he seeks to reassure the most powerful section of the landlord class in Andhra. He has done so by means of his food policy — the state being turned into a single zone — and the extraordinary announcement that lands "donated" by the landlords would not be treated as *benami* transfers and hence would not be included as being in the landlord's ownership for purposes of the implementation of the ceiling law. True, the latter statement was later explained away and brave declarations made that the Ceiling Act would be implemented as soon as parliament put it under the protection of the Ninth Schedule of the Constitution. True, also, that checkposts have been re-established as a partial repair of the damage done by the single-zone state scheme. But, nevertheless, the landlords have been granted a declaration of intent by the Chief Minister.

The recent by-election results showed that there has been a measure of response by the landlords to these overtures by the Chief Minister. At the same time, it would be quite premature to come to the conclusion that the landlords have all rallied to a man behind Vengal Rao. The divisions among the landlords along caste and regional lines have by no means been overcome. And they have by no means all come to the conclusion that the best bet for them is to stake everything on Vengal Rao.

It is interesting to note that at the same time the Chief Minister has persisted with his attempt to speed up the industrialisation process in the state. There are also indications that a certain shift in assets-preference is beginning to manifest itself in the ranks of the rural rich. The feeling is growing that while the Ceiling Act may not effectively erode their wealth, land ownership and speculation therewith may no longer be as lucrative as in the past. It might be more profitable, therefore, to invest in industries. Not so much in hotels and cinemas as in the past put industry proper. And here the state government is going out of its way to help through the development of the joint sector. The present trend is neither for the state public sector to be expanded nor to invite the All-India monopoly concerns as partners in joint sector ventures. The trend is for the state government to provide funds, infrastructure and the indispensable guarantee against risks — all in favour of turning the agrarian capitalists into agrarian industrial capitalists. It is yet too early to come to any conclusion as to how far all this would succeed in changing the capital contour of the state. But it is by no means too early to identify this trend.

Note should also be taken of another development which would be of even greater importance. And that is the stirrings among the agricultural proletariat of the state. The Tenali meeting of the Bhartiya Khet Mazdur Sangh was remarkable not only for the large-scale mass attendance but also for the composition of that mass. Agricultural labourers belonging to organisations led by the CP(M) and the Congress turned up in large numbers along with, naturally enough, much larger numbers of those whose loyalties were to the CPI-led organisation. Not only were women present in very large numbers but also the youth. And among the youth a fair number who were educated and whose sense of rebelliousness was far greater than that of the older generation. This rebelliousness if properly developed into class consciousness would be an invaluable asset. And if not properly developed, it could erupt into anarchist adventurist acts which would, in the end, be far more self-destructive than damaging to the class enemy. There is every indication that a powerful movement on the issue of wages would sooner rather than later unfold throughout the state. An impetus to this movement has been provided by the news that in Kerala their class brothers have won such a magnificent victory through the legislation concerning conditions of service in the rural areas. Gone are the days, in Andhra at any rate, when the hamlet of the Harijans was a dark, impenetrable fortress. News does break in and politics as well. Outside help is still required but rendering of it, though still extraordinarily difficult, would not be any more as arduous and hazardous as in the past.

If the capitalist landlords are tending to close their ranks, their grave diggers are also readying their battalions. Given unity of the leadership at least as far as action on mass issues is concerned, it is the latter who can well set the pace and the pattern for an invigorating change of course in Andhra.

BANKS

Bargadars Are Bankable

THE myth that sharecroppers and the poor peasantry do not make viable banking propositions has been exposed by a recent study of bargadars and institutional finance. The study, conducted by a team under an officer of the Directorate of Land Records and Survey, Government of West Bengal, shows that in spite of various hurdles put in the way of their getting bank loans — with even government officials saying that they could not be trusted to repay the loans — a group of bargadars who received loans from the State Bank of India have made full use of the funds and increased paddy production by 77 per cent in one year. They repaid over 70 per cent of the bank loans with interest immediately after the harvest, even before the bank raised formal demands. The balance "has been agreed to by them to be repaid before they take a bank loan for the second time". The repayment picture, even according to the bank officers, is "very encouraging and certainly better than that concerning owner-cultivators". By contrast, the study says, loans were disbursed to a group of owner cultivators in October 1970. These owner-cultivators "have repaid 40 per cent of the loan over more than two years". At the end of last year overdues were 60 per cent.

The study brings out the miserable condition of the share-croppers. Before approaching banks for loans the group of share-croppers studied had borrowed an amount, the repayable value of which was Rs 12,300 at the time of starting cultivation. Out of this amount, they could repay only Rs 10,025 from their gross income and the balance of Rs 2,275 remained outstanding along with an old unpaid loan of Rs 25,600. Thus at the end of the year they were burdened with unpaid loans of Rs 27,875. Even if the rate of interest payable on the loan is put at a modest 12 per cent, the bargadars' liability at the beginning of the next cultivation year would have come to Rs 31,220. This was the position before they received loans from banks.

The bargadars received bank loans for 135 bighas of land for raising an additional high-yielding crop. By using this loan, they raised 2,025 maunds of additional paddy. Their share of the additional produce was 1,618 maunds. The gross income from this crop was Rs 64,720 and the net income Rs 38,720. The gross surplus was Rs 27,725. The total loan outstanding, including the earlier loans with interest, was Rs 55,701. If the entire gross surplus was used for repayment of outstanding loans, the study estimates, the bargadars "would be able to reduce the old loan liability by 10 per cent". Thus if this system of granting bank loans was maintained in subsequent years, they would be able to repay the entire amount of the private loans within ten years. At the end of the eleventh year, they would have a surplus of Rs 6,990 after repayment of the bank loans with interest. According to the study, at the end of the 15th year, they would be completely self-supporting and would no more need bank loans. "If bank loans are extended to all the poor cultivators of the state", the study observes, "it will not only revolutionise the standard of their living and boost the rural economy on an unprecedented scale, but will also greatly accelerate the state's endeavour to attain self-sufficiency in a short period."

The study team found that the sharecroppers used to take loans from the village mahajans at an interest of 'one anna' (six paise) per rupee per month and that too by mortgaging articles like gold, utensils and even the small parcels of land that they possessed. To illustrate the hold that the mahajans have over the sharecroppers, the study team says, "The whole operation of selecting and granting loans to the bargadars was over in a couple of days. Seventeen bargadars were granted loans at the first instance and eight others at a later date. The fact that some bargadars received loans from the banks upset these mahajans, so much so that they built up pressure on the remaining nine bargadars during the intervening period to such an extent that they [the bargadars] refused to receive bank loans. They were convinced that there was no point in changing their masters as the banks would not give them loans for all times to come."

The study also throws light on the role of the Block Development Officers who "discouraged the bargadars from contracting bank loans, telling them that they would thereby come under the perpetual financial domination of the banks. It was with very great difficulty that the bargadars could be freed from this pious advice of the Block Officers". Nor did the bargadars get much technical advice from the Block staff. As for the banks themselves, though they have elaborate staff with knowledge of agricultural operations, "their financing pattern has a grow-more-produce bias under which only big owner-cultivators, called euphemistically 'progressive farmers', are always the beneficiaries. The bank staff can never locate the right bargadars' records". The study team points out that while the State Bank of India and other commercial banks after nationalisation claim to be anxious to finance small farmers in selected areas, on what they call an area development basis, "the most progressive steps the banks have hitherto launched for financing are restricted to only owner-cultivators for purposes approved by them". In the above context, according to the study, it is an uphill task to convince the bank that share-croppers are bankable propositions and that "no improvement of the agricultural community in the state can be dreamt of leaving the vast number of bargadars outside its purview".

Before they finance a bargadar, banks raise all sorts of questions: What is his relation to the land? What will be the security for the realisation of the loan? What guarantees will there be that the bargadar, who lives from hand to mouth, will actually use the loan for agricultural purposes? What will happen to the money advanced to the bargadar if there is a crop failure? The staff of the bank is asked to satisfy itself on all these points.

It was only through "constant coaxing and cajoling that the State Bank of India ultimately agreed to launch a pilot scheme on a very limited scale", the study points out. Some of the criteria used by the State Bank for selecting the area and the bargadars for financing were: the bargadars must be recorded and must own some land of their own; they must be close to and easily accessible from the State Bank's head office, in Calcutta, to enable close supervision by the bank; they must also be close to a Block office so that extension facilities are available to them; they must be reliable about repaying the bank loan; they must grow an assured high-yielding crop; they must be capable of resisting the pressure of landowners who are also mahajans.

The study points out that the banks insist that since a sharecropper can legally hypothecate nothing but his share of the produce (that is, 75 per cent of the crop), only such bargadars should be selected for financing as possess some land of their own which can be hypothecated to the bank. The banks also insist that someone else possessing land, preferably the owner

of the land whose plot the bargadar cultivates, should be persuaded to stand as a guarantor for the bargadar's loan. But where does one find an owner who will stand as the guarantor for the bargadar? "Even satisfied that the selected share-croppers are progressive farmers and not defaulters on any loan, the bank officers", the study says, "are reputed for their conservative attitudes especially when advancing money." The question of security and legal formalities loom large whenever any such transactions are considered by the Banks.

The bargadars covered by the study have, however, dispelled most of the misconceptions about them. As a group they have increased their paddy production by 77 per cent, reduced the burden of their long-outstanding private loans by 10 per cent and increased their subsistence expenditure by more than 7 per cent. They will be able to repay the entire amount of their private loans within 10 years if they are favoured with bank loans in the coming years also and be in a position to do away with bank loans by the 15th year.

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davp 74/5

Booming Economy

Vinod Mehta

THE Central Statistical Board of the USSR has published the results of the third year of the Ninth Five-Year Plan under the title "Fruits of Shock Labour". A glance at the figures given in Table 1 would show that whereas 1972 had been an exceptionally bad year for the Soviet economy, 1973 has been an exceptionally good one. The Soviet economy has done well in all sectors but more so in the agricultural sector.

The national income increased by 6.8 per cent in 1973 as compared to 4 per cent in 1972. In absolute terms, the national income of the Soviet Union increased from 310,000 million roubles in 1972 to 333,000 mn in 1973 — an addition of 23,000 mn roubles. The most spectacular progress was in agriculture. In 1971 agricultural production was stable at the 1970 level. But due to extremely unfavourable weather conditions (snowless winter and summer drought) grain production fell from 174.6 mn tonnes in 1971 to 168 mn tonnes in 1972, i e, by 5 per cent. In 1973 agricultural production went up by 14 per cent. Grain production in 1973 was 222.5 mn tonnes — an increase of 54.5 mn tonnes over the 1972 figure. Of the 1973 total, wheat production amounted to 109.7 mn tonnes, maize — 13.4 mn tonnes and rice — 1.8 mn tonnes. The statistical report singles out three republics for their major contribution to the grain harvest. The RSFSR made the largest contribution of 128.9 mn tonnes. The Ukraine contributed 48.5 mn tonnes and Kazakhstan 27.7 mn tonnes.

In 1972 due to the shortfall in grain production, the Soviet Union had to import large quantities of wheat and other foodgrains from the United States and other countries. These massive purchases by the Soviet Union sent food prices spiralling up in the United States by 3.5 per cent. This year, the Soviet Union is reported to have indicated to the US Agricultural Department that it is willing to defer delivery of 30 mn bushels of wheat involved in the 1972 transaction. The Soviet Union is also reported to have offered to sell one mn tonnes of wheat to the US.

On the industrial front also, the 1973 performance has been quite good. Industrial output increased by 7.4 per cent as compared to the target figure of 5.8 per cent. The most remarkable progress was made in the power engineering, chemical, petro-chemical, engineering and building materials industries. However, outputs of light industry and the food processing industry increased only by 4 per cent and 5 per cent, respectively. Production figures of some of the major industrial items are given in Table 2.

Here it may be recalled that one of the cardinal features of the Ninth Plan was that the consumer goods sector would grow at a faster rate than the producer goods sector. But as can be seen from Table 1, this happened only in the first year of the Plan — 1971. In 1973 the growth of the producer goods sector outstripped the growth of the consumer goods sector by about 3 per cent. Another feature of 1973 was that the increase in the sale of certain consumer goods was less than that in 1972. In certain cases the sales even went down as compared to 1972. For example, though the production of TV sets and washing machines was the same in 1973 as in 1972, their sales went down by 10 per cent and one per cent, respectively. This has led to stocks of these goods piling up.

1973 also saw an increase in the incomes of the Soviet people. The real per capita income increased by 5.9 per cent. This increase was partly due to the increase in money incomes and partly because of the 12 to 30 per cent reduction in the retail prices of some consumer goods like textiles.

TABLE 1: BASIC INDICES OF SOVIET ECONOMIC DEVELOPMENT

	1971 as per cent of 1970	1972 as per cent of 1971	1973 as per cent of 1972
National Income	106.0	104.0	106.8
Industrial Output	107.8	106.5	107.4
Output of Producer Goods	107.7	106.8	108.2
Output of Consumer Goods	107.9	106.0	105.9
Agricultural Output	100.0	95.4	114.0
Commissioning of Fixed Assets	105.0	104.0	108.0
Capital Investment	107.0	107.0	104.0
Freight Turnover (all types of transport)	106.5	104.7	108.0
Number of Industrial, Professional and Office Workers	102.8	102.6	102.3
Wages Fund in the National Economy	109.5	106.0	105.9
Average Cash Pay to Industrial, Professional and Office Workers	103.3	103.5	103.7
Pay to Collective Farmers	103.0	104.7	106.9
Public Consumption Funds	107.4	106.4	106.1
Real Per Capita Incomes	104.5	103.7	105.0
Retail Trade	107.0	106.9	105.3
Social Services	110.0	—	110.8
Commissioning of Housing	102.0	99.0	102.0
Labour Productivity:			
In Industry	106.3	105.2	106.0
In Collective and State Farms	102.0	97.2	117.0
In Construction Work	105.0	105.4	104.3
In Railway Transport	104.5	103.8	106.1
Profit in the National Economy (at comparable prices)	109.5	107.0	112.0
Foreign Trade Turnover	106.0	109.0	116.4

Source: *Pravda*, January 23, 1972; January 30, 1973; January 26, 1974.

TABLE 2: OUTPUT OF IMPORTANT INDUSTRIAL ITEMS

	Production in 1972	Production in 1973
Electricity (thousand mn kwh)	858	915
Oil (mn tonnes)	394	421
Coal (mn tonnes)	655	688
Gas (thousand mn cubic metres)	221	236
Steel (mn tonnes)	126	131
Cement (mn tonnes)	104	110
Chemical Fibres (thousand tonnes)	746	830
Agricultural Machines (mn roubles)	2,615	2,971
Motor Vehicles ('000)	1,379	1,602
Lorries	597	629
Cars	730	917
Buses	52	56
Textiles (mn square metres)	6,419	9,676
TV sets (mn)	6	6.3
Washing Machines (mn)	3	3
Refrigerators (mn)	5	5.4

Source: Same as in Table 1.

Central Bank of India

Balance Sheet as at 31st December 1973

As at 31st December, 1972 Rupees	CAPITAL AND LIABILITIES	Rs. Ps.	Rs. Ps.	Rs. Ps.
	1. Capital:			
4,75,14,600	Paid-up Capital (wholly owned by Central Government)			4,75,14,600.00
	2. Reserve Fund And Other Reserves:			
8,34,88,080	Reserve Fund		8,93,86,079 54	
53,29,771	Contingency Fund		54,79,770.96	
1,50,000	Development Rebate Reserve		— —	
3,63,700	Capital Suspense		3,63,700 00	
3,61,519	Share Premium Suspense		3,61,519.25	
8,96,93,070				9,55,91,069.75
	3. Deposits And Other Accounts:			
	Fixed Deposits etc.:			
		Rs. Ps.		
4,17,45,90,555	(i) From Banks	5,87,46,669.27		
	(ii) From Others	4,77,91,80,502.86	4,83,79,27,172.13	
2,08,66,18,742	Savings Bank Deposits		2,48,96,85,746.43	
	Current & Contingency Accounts etc.:			
	(i) From Banks	5,44,75,566.70		
1,78,65,40,591	(ii) From Others (Including Staff Gratuity Fund Rs. 1,71,50,000)	1,95,93,73,180.20	2,01,38,48,746.90	
8,04,77,49,888				9,34,14,61,665.46
	4. Borrowings from other Banks, Agents, etc.			
		In India	Outside India	
	(1) Secured:	Rs. Ps.	Rs. Ps.	
41,75,000	By part of Investments and bills per contra	44,34,35,000.00	— —	
	(2) Unsecured: In respect of borrowings (By part of advances per contra) from:			
2,03,17,624	(i) The Industrial Development Bank of India	1,14,72,700.00	— —	
1,68,51,894	(ii) The Agricultural Refinance Corporation	1,86,11,714.00	— —	
3,71,13,135	(iii) Banks and Other Financial Institutions	14,76,57,052.93	1,41,95,224.96	
7,84,57,653		62,11,76,466.93	1,41,95,224.96	
—				63,53,71,691.89
9,00,61,770	**5. Bills Payable**			10,96,92,591.20
	6. Bills for Collection being Bills Receivable as per Contra:			
45,40,77,208	(i) Payable in India		48,26,16,687.82	
5,61,97,574	(ii) Payable outside India		5,36,17,981.71	
51,02,74,782				53,62,34,669.53
	7. Other Liabilities:			
16,28,48,782	Branch Adjustments			
1,66,37,287	Amount owing to Subsidiary Company (including on their Clients Accounts)		26,63,27,587.27	
8,54,483	Unclaimed Dividends		1,73,82,116.42	
1,13,44,264	Rebate on Bills Discounted		8,32,109.14	
			1,26,50,528.25	
19,16,84,816				29,71,92,341.08
905,54,36,579	Carried Over			1106,30,58,628.91

Central Bank of India

Balance Sheet as at 31st December 1973

As at 31st December, 1972 Rupees	PROPERTY AND ASSETS	Rs. Ps.	Rs. Ps.	Rs. Ps.
	1. Cash:			
67,05,48,197	In hand and with Reserve Bank and State Bank (including foreign currency notes)			78,31,57,641.33
	2. Balances with other Banks:			
	On Current Account:	Rs. Ps.		
1,30,18,534	(i) In India	1,50,37,918.62		
1,18,71,412	(ii) Outside India	1,09,38,782.58		
2,48,89,946			2,59,76,701.20	
	On Deposit Account:	—		
—	(i) In India			
1,88,000	(ii) Outside India	12,22,000.00	12,22,000.00	
2,50,77,946				2,71,98,701.20
11,56,00,000	**3. Money at Call and Short Notice**			37,60,000.00
	4. Investments: (at below Market Value)			
2,71,10,53,919	(i) Securities of the Central and State Governments and other Trustee Securities		2,80,71,03,814.49	
—	Treasury Bills of the Central and State Governments		30,00,00,000.00	
	(ii) Shares	Fully Paid	Partly Paid	
		Rs. Ps.	Rs. Ps.	
83,51,333	(a) Preference	77,63,095.76	— —	
3,33,54,788	(b) Ordinary	2,14,88,093.93	96,79,066.17	
57,799	(c) Other Classes	57,798.75	— —	
4,17,63,920		2,93,08,988.44	96,79,066.17	3,89,88,054.61
4,10,34,790	(iii) Debentures or Bonds			5,37,44,831.65
4,52,610	(iv) Other Investments			4,52,610.00
—	(v) Gold			—
2,79,43,05,239				3,20,02,89,310.75
3,71,04,52,761	**5. Advances:** (Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors)			
	(I) Loans, Cash Credits, Overdrafts, etc.:	Rs. Ps.		
	(i) In India (Including an amount of Rs. 12,03,84,414.00 relating to medium-term advances in respect of which finance has been obtained from the Industrial Development Bank of India, the Agricultural Refinance Corporation, and other Financial Institutions as per contra)	4,81,31,24,707.07		
70,03,402	(ii) Outside India	1,41,50,328.54		
3,71,74,56,163			4,82,72,75,035.61	
85,90,68,282	(II) Bills Discounted and Purchased:			
12,67,63,323	(i) Payable in India	1,19,83,43,143.92		
98,58,31,605	(ii) Payable outside India	21,38,44,056.50*	141,21,87,200.42	
4,70,32,87,768				6,23,94,62,236.03

*Includes Rs. 1,40,00,000/- under Export Bill Credit Scheme of Reserve Bank of India per contra and Rs 9,90,00,000/- under Pre-Shipment Credit Scheme of Reserve Bank of India per contra

PARTICULARS OF ADVANCES:		
(i) Debts considered good in respect of which the bank is fully secured.	4,90,60,40,361.37	
(ii) Debts considered good, for which the bank holds no other security than the debtors' personal security	22,97,02,272.13	
(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of of the debtors	1,10,37,19,602.53	
(iv) Debts considered doubtful or bad not provided for	— —	
	6,23,94,62,236.03	
3,75,25,60,450		
24,46,24,956		
70,61,02,362		
—		
4,70,32,87,768	Carried Over	1025,38,67,889.31
830,88,19,150		

Central Bank of India

Balance Sheet as at 31st December 1973

As at 31st December, 1972 Rupees	CAPITAL AND LIABILITIES		Rs. Ps.	Rs. Ps.
905,54,36,579	Brought forward			1106,30,58,628.91
35,20,94,779	**8. Acceptances, Endorsements and other Obligations as per Contra**			50,33,79,927.01
	9. Profit and Loss:			
—	Balance as per last Balance Sheet		— —	
41,41,684	Profit for the year		2,94,89,516.34	
41,41,684			2,94,89,516.34	
9,00,000	*Less:* Appropriations: Transferred to Reserve Fund	58,98,000.00		
—	Provision for Bonus to Staff	2,20,00,000.00		
9,00,000			2,78,98,000.00	
32,41,684	Balance to be transferred to the Central Government			15,91,516.34
	10. Contingent Liabilities :			
	(31-12-1972) Rupees		Rs. Ps.	
68,08,379	(i) Claims against the Bank not acknowledged as debts		65,60,703.86	
1,05,21,318	(ii) On Investments in partly paid shares		1,13,66,447.50	
63,51,63,177	(iii) On Letters of Guarantee on behalf of Constituents (including Rs. Nil on behalf of officers)		64,24,34,720.43	
35,07,14,574	(iv) Liability on account of outstanding Forward Exchange Contracts		51,12,34,932.42	
11,43,11,444	(v) Liability on Bills of Exchange Re-discounted		21,74,68,669.94	
9,41,07,73,042	TOTAL RUPEES			11,56,80,30,072.26

Notes forming part of the Balance Sheet:

(1) The Bank's building at 33, Netaji Subhash Road, Calcutta in which the Calcutta Branch of the Bank was situated, was destroyed by a fire on the night of 3rd/4th January, 1974. In the said fire most of the books and records of the branch were destroyed. The returns for the half year ended 31st December, 1973 of this Branch are, therefore, compiled on the basis of available information and on certain assumptions and estimates.

(2) As returns in respect of Pakistan (including areas now comprised in Bangladesh) Branches have not been received for the period after 30th June, 1965, unaudited returns as at that date only have been incorporated in the Bank's Balance Sheet as at 31st December, 1973. As no further information is available, the assets and liabilities in Pakistan have not been shown in the Balance Sheet under the individual heads but only the net book value thereof has been incorporated.

(3) The actual amount of liability arising from future gratuities payable to staff has not been ascertained but is greater than the amount provided.

(4) For the year 1972, provision for bonus to staff was charged to the Profit and Loss Account. For the current year, provision for bonus to staff is disclosed as an appropriation of profit.

(5) There is a demand from the employees for payment of bonus for the year 1973 in excess of the amount provided. The provision made in the accounts is on the basis of the offer made by the management to the employees.

(6) Certain old items in the branch reconciliations remain to be cleared. The balancing of general ledger with subsidiary ledgers/schedules remains to be completed at a few branches. The schedules supporting general ledger balances and reconciliation statements for accounts with other banks were not ready at a few branches. Necessary steps are being taken in this regard.

(7) The figures for the previous year have been regrouped where necessary and possible.

In terms of our report of even date attached.

HARIBHAKTI & CO.,
FORD RHODES PARKS & CO,
LOVELOCK & LEWES.
Chartered Accountants

Bombay, 12th June, 1974.

Central Bank of India

Balance Sheet as at 31st December 1973

As at 31st December, 1972 Rupees	PROPERTY AND ASSETS		Rs. Ps.	Rs. Ps.
830,88,19,150	Brought forward			1025,38,67,889.31
1,27,32,821	(v) Debts due by officers of the bank or any of them either severally or jointly with any other persons		1,54,91,242.52	
—	(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		— —	
1,27,32,821	(vii) Maximum total amount of advances, including temporary advances, made at any time during the year to directors, or managers or officers of the bank or any of them either severally or jointly with any persons		1,54,91,242.52	
	(viii) Maximum total amount of advances, including temporary advances, granted during the year to the companes or firms in which the directors of the bank are interested as directors, partners or managing agents, or, in the case of private companies, as members		— —	
1,47,21,559	(ix) Due from banks		1,86,34,822.45	
	6. Bills Receivable being Bills for Collection as per Contra:			
45,40,77,208	(i) Payable in India		48,26,16,687.82	
5,61,97,574	(ii) Payable outside India		5,36,17,981.71	
51,02,74,782				53,62,34,669.53
35,20,94,779	**7. Constituents' Liabilities for Acceptances, Endorsements and other Obligations per Contra**			50,33,79,927.01
	8. Lands and Buildings:			
2,31,00,654	Cost as per last Balance Sheet		2,58,24,710.26	
5,01,855	*Less*: Cost of Property sold during the year		— —	
2,25,98,799			2,58,24,710.26	
32,25,911	*Add*: Cost of Additions made during the year		67,45,483.13	
2,58,24,710			3,25,70,193.39	
57,14,020	*Less*: Depreciation written off		63,19,119.87	
2,01,10,690				2,62,51,073.52
	9. Furniture and Fixtures:			
7,35,70,281	As per last Balance Sheet		8,58,85,979.12	
1,23,15,698	*Add*: Additions less Sales made during the year		1,14,01,237.67	
8,58,85,979			9,72,87,216.79	
3,65,22,136	*Less*: Amount written off to date for depreciation		4,33,21,818.75	
4,93,63,843				5,39,65,398.04
	10. Other Assets:			
10,00,000	Shares (Partly paid) of the Central Bank Executor and Trustee Co., Ltd. (Subsidiary Company) at Cost		10,00,000.00	
3,68,02,522	Interest accrued on Investments		3,91,36,374.00	
6,42,44,474	Income-tax paid in advance and tax deducted at source		8,43,99,292.07	
1,64,74,000	Share Application Moneys		1,82,54,250.00	
5,14,98,804	Sundry Advances, Deposits, Stamps, Stationery, Home Saving Safes, Safe Deposit Boxes, etc.		5,14,51,200.63	
17,00,19,800				19,42,41,116.70
89,998	**11. Non-banking assets acquired in satisfaction of claims** (at book value)			89,998.15
9,41,07,73,042	TOTAL RUPEES			11,56,80,30,072.26

D. V. TANEJA,
Chairman & Managing Director

TARAKESWAR CHAKRABORTI
R. R. KUMAR
J. J. NERURKAR
RAMSIYA KUNDER
T. S. PAPOLA
R. RATNAM
C. S. VENKAT RAO
M. G. BALASUBRAMANIAN
Directors

N. M. MISTRY
Assistant General Manager

Bombay, 12th June, 1974.

Central Bank of India

Statement of Profit and Loss Account

EXPENDITURE

Previous Year Rupees			Rs. Ps.	Rs. Ps.
30,57,61,617	1.	Interest paid on Deposits, Borrowings, etc.		38,41,45,053.86
21,55,04,719	2.	Salaries and Allowances	26,01,21,106.40	
83,44,568		Contribution to Provident Fund	92,25,968.39	
1,76,00,000		Bonus to Staff (See Note No 4 on the Balance Sheet)	—	
24,14,49,287				26,93,47,074.79
27,617	3.	Directors' Fees and Allowances	1,01,024.36	
450		Committee Members' Fees and Allowances	—	
28,067				1,01,024.36
1,98,58,493	4.	Rent, Taxes, Insurance, Lighting, etc.		2,25,96,166.03
19,22,245	5.	Law Charges		12,81,228.47
66,55,764	6.	Postage, Telegrams and Stamps		60,41,839.22
	7.	Auditors' Fees :		
2,83,950		To Statutory Auditors (including Branch audit fees)	3,02,700.00	
2,45,500		To Branch Auditors	2,94,710.00	
5,29,450				5,97,410.00
3,67,922	8.	Depreciation on Bank's Property	6,05,099.60	
2,67,430		Repairs to Bank's Property	1,97,756.46	
2,90,670		Other charges on Bank's Property	5,37,807.30	
61,09,188		Depreciation on Furniture and Fixtures	67,99,682.28	
70,35,210				81,40,345.64
97,15,128	9.	Stationery, Printing and Advertisements, etc.		1,01,81,755.96
—	10.	Loss from sale of or dealing with non-banking Assets		—
2,27,40,627	11.	Other Expenditure		2,59,78,856.88
41,41,684	12.	Balance of Profit—See Note 4.		2,94,89,516.34
61,98,37,572		TOTAL RUPEES		75,79,00,271.55

NOTES:

Previous Year Rupees			Rs. Ps.
	1.	Particulars of remuneration paid to the Chairman:-	
43,569	(i)	Salary	43,569.48
6,398	(ii)	Allowances	6,397.92
3,631	(iii)	Contribution to Staff Provident Fund	3,630.72
53,598			53,598.12

2. Salaries and Allowances include bonus paid in respect of earlier years in excess of the provision made Rs. 35,16,634.29 (previous year Rs. 22,16,131/-).

3. Advertisement expenditure during the year Rs. 9,26,941.80 (previous year Rs. 12,56,933/-).

4. The balance of profit for the year is before charging the provision for bonus. The corresponding figure for the year 1972 is after charging the provision for bonus.

5. Particulars of remuneration paid to employee Directors (other than Directors' fees and allowances) have not been separately disclosed as they have not drawn such remuneration in their capacity as Directors.

In terms of our report of even date attached.

HARIBHAKTI & CO.,
FORD RHODES PARKS & CO,
LOVELOCK & LEWES.
Chartered Accountants

Bombay, 12th June, 1974.

Central Bank of India

for the Year Ended 31st December 1973

INCOME (Less provision made during the year for bad and doubtful debts and other usual or necessary provisions)

Previous Year Rupees			Rs. Ps.
54,69,88,037	1.	Interest and Discount	67,21,47,273.81
7,05,34,654	2.	Commission, Exchange and Brokerage	8,31,32,946.01
23,14,881	3.	Rent on Bank's Premises (excluding Rent on Premises used by the Bank)	26,20,051.73
—	4.	Net Profit on Sale of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular Fund or Account)	—
—	5.	Net Profit on Revaluation of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular Fund or Account)	—
—	6.	Income from non-Banking Assets, and Profit from sale of or dealing with such Assets	—
61,98,37,572		TOTAL RUPEES	75,79,00,271.55

D. V. TANEJA,
Chairman & Managing Director

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M. G. BALASUBRAMANIAN
} *Directors*

N. M. MISTRY
Assistant General Manager

Bombay, 12th June, 1974.

AUDITORS' REPORT TO THE PRESIDENT OF INDIA

1. We have audited the attached Balance Sheet of Central Bank of India as at 31st December, 1973 and also the Profit and Loss Account of the Bank for the year ended on that date annexed thereto, in which are incorporated the returns of 129 Branches audited by us, 347 Branches audited by other auditors and the unaudited returns in respect of 690 Branches including the Calcutta Branch at 33 Netaji Subhash Road and also the unaudited returns as at 30th June, 1965 in respect of 5 Branches in Pakistan (including areas now comprised in Bangladesh).
2. The Balance Sheet and the Profit and Loss Account have been drawn up in Forms 'A' and 'B' respectively of the Third Schedule of the Banking Regulation Act, 1949. Accordingly, they disclose such matters as were required to be disclosed in the case of banking companies prior to nationalisation by virtue of the provisions of the said Act as read with the related provisions of the Companies Act, 1956.
3. As stated in Note 1 to the Balance Sheet, most of the books and records of the Calcutta Branch at 33 Netaji Subhash Road were destroyed by a fire which took place there on the night of 3rd/4th January, 1974. The returns for the half year ended 31st December, 1973 of the said Branch were therefore, not prepared from the books of account but were compiled by the Bank on the basis of available information and on certain assumptions and estimates. The returns so compiled, reflected total assets Rs. 50.77 crores and total liabilities Rs. 27.60 crores as at 31st December, 1973 and gross income Rs. 2.10 crores and total expenditure Rs. 1.39 crores for the half year ended on that date, which have been incorporated in the accounts of the Bank. In the absence of books of account and other supporting records, we are unable to express an opinion on the figures relating to the Calcutta Branch incorporated in the accounts of the Bank.
4. In relation to the Calcutta Branch, we have not obtained all the information necessary for the purposes of our audit as the books of account were not available.
5. On the basis of the audit indicated in the first paragraph and subject to the limitation of disclosure indicated in the second paragraph and the reservations contained in paragraphs three and four, we report that:
   (a) In our opinion and to the best of our information and the explanations given to us and as shown by the books of the Bank:
      (i) the Balance Sheet read with the notes thereon is a full and fair Balance Sheet containing the necessary particulars and it is properly drawn up so as to exhibit a true and fair view of the affairs of the Bank as at 31st December, 1973 and
      (ii) the Profit and Loss Account read with the notes thereon shows a true balance of profit for the period covered by the Accounts;
   (b) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;
   (c) The transactions of the Bank which have come to our notice have been within the powers of the Bank, and
   (d) The returns received from the Branches of the Bank, except for the Calcutta Branch and the five Pakistan Branches (see Notes 1 and 2 to the Balance Sheet) have been found adequate for the purposes of our audit.

HARIBHAKTI & CO.,
FORD RHODES PARKS & CO,
LOVELOCK & LEWES.
Chartered Accountants

Bombay, 12th June, 1974.

Unequal Partners

A K Das Gupta

Economics and World Order (ed) Jagadish Bhagwati; Orient Longmans, 1972; pp xii+365.

A COLLECTION of essays is normally difficult to review, particularly when they are written by different authors. In the present case, however, the task of the reviewer has been made relatively easy by two things: First, the essays have a unity of purpose; sponsored by an educational foundation, the World Law Fund, they address themselves to a chosen set of questions. Secondly, the editor, Jagadish Bhagwati, provides us with an excellent summary view of the issues with which the essays are concerned.

The issues centre on the pattern of international economic relations as it should be and as it is likely to be by the end of the present century. First the concept of an optimum world order is formulated, and then an attempt is made, on the basis of past trends of economic growth in different regions, to make a projection up to the decade of the century. The method is one of forecasting and the purpose is to assess how far what is conceived to be an optimum order is realisable within the century.

The levels of economic development in the various regions of the world have been widely disparate over the years. The regions where poverty prevails constitute more than two-thirds of the world population. Will these disparities tend to persist? If they do, what countervailing measures should be taken in advance to bring the regions into line with one another? Is international economic integration a feasible proposition? Is it attainable within a measureable distance of time, say, by 2000 AD? These are the sorts of questions that the authors ask themselves — difficult questions whose answers depend, partly at any rate, upon one's way of looking at things. No wonder traces of wishful thinking are discernible in the answers provided in the essays. Yet, in spite of the fact that the authors represent different regions and have different backgrounds, there is a certain commonness in their approach and understanding of world problems which is impressive.

The central point round which the studies revolve is redistribution of income through transfer from rich nations to poor nations. An optimum world order, sketched by Jan Tinbergen, demands such transfer. The gap in the levels of economic development of different regions has to be narrowed. This can happen if the rates of growth of poor nations are raised beyond what they have been experiencing and if rich nations help this process by measures of transfer, thus reducing their own rates of growth. The idea is commonplace and has been with us during the greater part of the post-war period. There is, however, one bold feature in the general outline chalked out, namely free migration of labour. Tinbergen acknowledges its importance as one of the requirements of a world order, and Bhagwati draws attention to a feature of international migration which is adding to international imbalance — transfer of talent from the poorer countries. He therefore urges that the immigration policies of sparsely populated countries should be reversed in favour of unskilled labour if migration has to contribute to international balance.

On the central problem, namely the "gap" between the rich and the poor nations, Paul Rosenstein-Rodan seems to be optimistic. He hopes that there will be a narrowing of the gap by 2000 AD. His prediction is based on an interesting speculation, namely that workers in the more developed countries of the world will in future demand more leisure than real income. Working hours in these countries will be reduced and, other things remaining the same, the rate of growth will come down. On the other hand, there will be faster growth in the underdeveloped countries, because of their low base and because superior knowledge and technology are already there which only need adaptation for use in these countries. Rosentein-Rodan's anticipations are reasonable, and his prediction concerning the more developed countries may hopefully be realised also; with the standard of living that they have already attained, and given that they do not have a perverse preference system, it is surely reasonable to expect that these countries will in future opt more for leisure than for real income. However, when it comes to underdeveloped countries, Rosenstein-Rodan's thinking seems to be only wishful. The experience of India, with which Rodan has enough acquaintance, should have warned him that a mere knowledge of technology and of economic policy cannot do the trick if the will to use it purposefully is lacking. Among the less developed countries of the world, India is supposed to possess the largest supply of skill and expertise (alas, comparing the quality of the essay on India in the present volume with that of the essays on Africa and Latin America, one would begin to doubt the validity of this supposition), and it was among the earliest to have adopted the principle of planning for economic development. Yet its record of growth is about the lowest among these countries. In fact the performance of the last Plan in its later phases makes nonsense of the projection in Pant's paper on Indian Perspectives: 1990-2000 — the only paper on South Asia that the volume carries.

A more realistic projection seems to be that suggested by Jozef Pajestka. According to Pajestka, the gap will tend to grow wider between the developed countries and those among the developing countries which have adopted the capitalist way, while the socialist countries will have a substantially faster rate of growth, so as to be able to bridge the gap between them and developed countries. Pajestka's projection is amply supported by the actual growth trends in the three different groups of countries. It is significant that over the period 1950-67, the annual rate of growth in per capita product in the socialist countries of Europe was as high as 6.7 per cent as against 3.0 per cent in the developed countries, while the figure for the non-socialist poor countries of South Asia and Latin America was a meagre 2.2 per cent.

The finding is on the face of it somewhat of a paradox. Is it not through capitalist enterprise that the richer countries of the West achieved their present level of economic development? Why, then, should the system fail when it comes to the development of the hitherto underdeveloped countries? The answer to the paradox is provided by Weisskopf. There are obstacles in the capitalist path for late starters such as the underdeveloped countries of today. First, there is the demonstration effect. Integration with countries which are already developed affects the consumption pattern of the poorer countries in a way which dissipates productive resources; those who have surplus income imitate their counterparts in the richer countries and indulge in luxury consumption. Secondly, the economies tend to be dominated by foreign enterprise in one form or the other. Technology and knowhow are thus imported into the poorer countries to which these economies are ill-suited. And thirdly, much of the local expertise trained in Western science and technology is drawn away from the poorer countries where remunerations are relatively low — the so-called brain-drain effect. These obstacles are real; those of the poorer countries of the world who have adopted the capitalist path are showing up by their behaviour how real they are. The case of India can be cited as a conspicuous example of wasteful consumption slowing down growth.

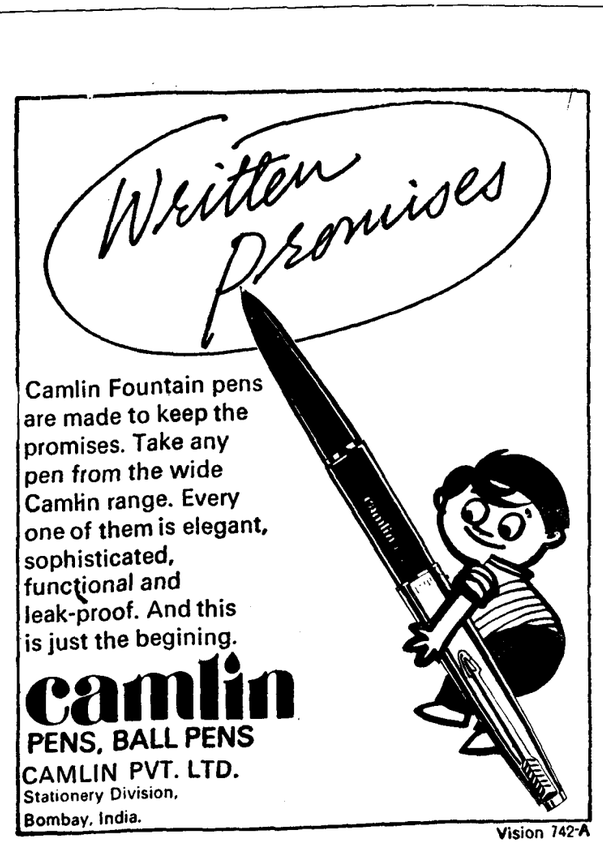
Now, if integration with the rich capitalist countries is an obstacle to rapid economic development of poorer countries, then it remains a pertinent question as to whether foreign aid, as it is conceived by Rosenstein-Rodan, Tinbergen and others, is at all an answer to the problem of the international gap. It is true that, other things remaining equal, foreign aid does help; it enables the receiving countries to cross the normal foreign exchange barrier. Where exports are inelastic and where external and internal resources are complementarily related, foreign aid can indeed be shown to produce a multiplier effect upon domestic investment. But the trouble is that other things do not remain equal. The institution of foreign aid is not as simple as it appears to be on the face of it. It is an institution whose effect is not a straightforward addition. There are leakages accompanying it by way of distortion in the structure of production and the pattern of consumption which need to be taken into account. The net effect is not unambiguous. It is not an accident that countries which have pursued a policy of isolation in their economic planning in the post-war period have shown a higher rate of growth than those which have sought integration with the West.

Tinbergen has a vision of a world government. As a precondition of an optimum world order he envisages an international decision-making body on "aid" and trade whose decisions must be binding on all peoples represented on the body — poor as well as rich. "For the vital decisions on 'aid' and trade, this means a world government."

The concept of a world government is not new. Many high-minded men have backed it before. If it is still supposed to be an utopia, it is because the nations of the world — big or small, rich or poor — are not prepared to accept the loss of autonomy which the concept involves. Moreover, the viability of an international order presupposes a degree of national economic integration which the countries of the world are yet to achieve — a point made out strongly by Stapanov, the only contributor to the volume representing the Socialist bloc. Tinbergen does not seem to be disturbed by such considerations, and he asks why, when "we have the multinational firms already for quite some time", should there not be multinational governments to take decisions on commercial relations between nations? A well-meaning proposition, and yet how naive! If the multinational corporation is to be the standard for the constitution of a world government, then the problem is simple enough — you have only to leave decision-making to the US State Department, supported by its own chosen representatives in the other countries! If anyone doubts it, he should read Stephen Hymer's critique of the Multinational Corporation in the present volume. Poor Tinbergen — political economy is not his forte.

There are two papers on the future of the international monetary and trading system by Harry Johnson and Robert Triffin. Their views on these matters are well known — reduction of trade barriers and a rationalisation of the international liquidity system. The papers contributed to the present volume provide a succinct account of the problems involved and the prospects of their solution.

On the whole it is a rich collection worthy of the subject and, one hopes, will be widely read and discussed.



Foxed by Wealth of Facts

K K Taimni

Co-operatives in Asia by Mohinder Singh; Praeger Publishers, New York, 1970; pp 489; $ 10.

PLANNERS in all developing countries have recognised the importance of creating an institutional framework and evolving a technology that would hasten the process of development and make an impact on the life and work of the community. It is in this context that co-operatives have been selected by governments in the Asian countries with varying degrees of emphasis — including in Japan and Taiwan at one end and Pakistan and the Philippines at the other — as an institution for developing and modernising more particularly agriculture. Some of these countries have witnessed phenomenal expansion of co-operatives also in such diverse fields as consumer business, housing, insurance, industries, agricultural marketing and credit, and urban banking.

Development of agriculture, on which the prosperity of many of these countries depends, calls for rapid institutional changes, and co-operatives have seemed the appropriate institutions for bringing about social and economic change in a peaceful manner. At any rate, it is such calculations that have encouraged governments of various hues to foster co-operatives.

The book under review traces the history and growth of various types of co-operatives in Asia, among them agricultural credit co-operatives, industrial co-operatives, housing co-operatives, etc. It also contains selected 'country' studies of the functioning of co-operatives in Sri Lanka, the Philippines, India, Iran, Japan, Malaysia, Pakistan and South Korea.

However, the pronounced variations in the development of co-operatives in these countries and certain angularities in the co-operative movement in each of the above countries — which are traced largely to historical factors — seems to have made it well-nigh impossible for the author to identify the factors responsible for their success or otherwise. Thus, agricultural credit co-operatives in Japan are not analysed except in the most general terms. This, therefore, is a major limitation of this otherwise pioneering effort in the study of co-operatives.

In Part I, 'Agricultural Co-operatives', the author rightly points out that agricultural credit co-operatives have flourished in Japan and Taiwan largely because of the higher yields per hectare in these countries, the small size of their average holdings notwithstanding. Thus the success of the co-operatives is linked with the success of agriculture itself: If Japan and Taiwan today have exceedingly successful co-operatives, it is largely because of the long and sustained efforts at modernising of agriculture — encompassing intensive research work, efficient arrangements for extension, and appropriate arrangements for the supply of institutional credit (especially credit for production) and other agricultural prerequisites and marketing. If, however, co-operatives are promoted as institutions that will act as catalysts of development, there is something circular about the above analysis, unless it is followed by further analysis of the other external factors that make a success of the co-operatives themselves.

There is a comprehensive treatment of all aspects of agricultural co-operatives. Here again, the importance of the structural relationship among the different tiers is underlined, so also the role of apex organisations, the marketing and supplies of various inputs, etc. The author notes that, because of the limited supply of trained personnel and the non-viable size of the base-level society, it "will appear logical to promote multi-purpose co-operatives in the Asian countries". He also seems to favour the channelling of all types of agricultural credit — short, medium, and long-term — through the same secondary and primary level co-operatives, as is done in Japan.

The author also emphasises the other unexceptionable — *viz*, the need for closer co-operation between the co-operatives and the government extension activities — and he suggests that the office of both should be housed preferably in the same building.

In Part II, 'Non-Agricultural Co-operatives', the pride of place is given to the consumer co-operatives, apparently because of the role that these co-operatives can play in the distribution of essential articles to the community at reasonable prices. "Since many of the factors contributing to the imbalance between growth of demand and supplies are likely to persist [in developing countries], some governments are promoting consumer co-operatives as a supplementary (or alternative) channel of distribution that could, in addition to its direct benefits, exercise a healthy influence on individual distributors."

While tracing the history and growth of the consumer co-operatives in Asia, the author points out that, in many countries (among them the Philippines and Taiwan), separate legislative and administrative arrangements exist for the non-agricultural societies. A historical perspective of their growth and development is presented, but no serious attempt is made to explain their rapid deterioration, once government controls on essential articles are lifted, and the official support is withdrawn. Looking to the Western experience, one would have appreciated a more intensive treatment of the role of federal organisations in this respect.

Chapters on urban and credit co-operatives, industrial co-operatives and housing co-operatives follow.

Part III contains selected country studies of Sri Lanka, India, Iran, Japan, West Malaysia, Pakistan, the Philippines, South Korea, Taiwan and Thailand.

This is, overall, a compilation which describes in very readable style the various facets of the development and growth of co-operatives in Asian countries.

Mahindra Ugine

MAHINDRA UGINE Steel Company expects to commence commercial operations at the expanded plant by the beginning of the second quarter of 1977. The expansion envisages increase in capacity for tool, alloy and special steels from 24,000 tonnes to 60,000 tonnes per annum and diversification of production into stainless steel, high speed steel, die, tool and drill steel, alloy and carbon constructional steel, etc. Meanwhile, with the implementation of the balancing scheme, the company has already ensured a fuller utilisation of the rated capacity in most of the key production departments of the integrated plant. MUSCO's sales in the first 5 months of the current year have been a third higher compared to the same period last year. This increase, however, reflects inflation in prices of several essential inputs such as ferrous scrap, fuel oil and graphite electrodes, according to the chairman Harish Mahindra.

Share of Labour in Manufacturing Industries

Sreelekha Basu

During the period 1960-1971, in real terms total emoluments per employee went by only 23 per cent compared to a 53 per cent increase in value added peremployee.

At constant prices, the share of employees inthe total domestic product in the registered factories sector recorded only a slight increase over the period.

[The views expressed here are those of the author and not of the organisation in which she is employed.]

AN attempt has been made in this note to study the fluctuations in the share of salaries and wages in the "income originating" in the organised manufacturing industries sector as well as to examine the increase (if any), in the per worker wages earned in real terms in this sector. Some of the results arrived at appear to be of topical interest and have been further analysed to arrive at important indicators in this field.

The main source of data on employment, wages, etc, has been the Annual Survey of Industries which covers the total factory sector in India. Both large and small factory units are covered by this Survey. Factory units include "manufacturing" as well as some "servicing" units, such as water supply, sanitary services, motion picture production, laundry, etc, but exclude units under the control of the Ministry of Defence, oil storage depots and technical training institutes. All units employing 50 or more workers with the aid of power and 100 or more workers without the aid of power (in any preceding three years) are completely covered, while all electrical undertakings are completely enumerated. The remaining units, i e, units employing 10 to 49 workers with power and 20 to 99 workers without power are covered on a probability sampling basis.

ASI data, however, are available only upto the year 1969. Basic data relating to 1970 and 1971 have been arrived at with the help of figures on the average daily employment and the corresponding per capita annual earnings of "workers in manufacturing industries coming under the Payment of Wages Act, 1936", as collected by various states and Union Territories and published in the Indian Labour Statistics. All the indicators relating to these two years are provisional and will be revised as soon as more upto-date data on ASI are received.

TABLE 1: EMPLOYMENT, WAGES, ETC, FOR REGISTERED MANUFACTURING INDUSTRIES

Year	Employment (000)		Wages	Total Emoluments	Value Added
	Workers	Total	(Rs crores)	(Rs crores)	(Rs crores)
(1)	(2)	(3)	(4)	(5)	(6)
1959	3104	3568	342.36	495.55	894.62
1960	3228	3644	387.95	540.47	1017.26
1961	3340	3729	436.13	597.33	1171.81
1962	3534	4017	495.33	694.86	1280.56
1963	3682	4208	543.16	776.34	1460.35
1964	3866	4528	604.10	905.51	1669.21
1965	3919	4696	679.85	1047.46	1883.42
1966	3921	4750	744.39	1171.10	2045.05
1967	3884	4716	812.51	1298.24*	2113.40
1968	3952	4825	879.00	1448.48*	2304.65
1969	4103	5036	963.72	1571.29*	2809.00
**1970	4268@	5246@	na	1735.00@	3147.60@
**1971	4400@	5409@	na	1873.00@	3478.00@

**ASI data have not yet been released.
@based on some indicators prepared from Labour Bureau data.
*adjusted for employers' contribution.

TABLE 2

Year	Annual Average Wage per Worker (at Current Prices) (Rs)	Annual Average Earning Per Employee (at Current Prices) (Rs)	Working Class Consumer Price Index (all-India 1960 = 100)	Annual Average Wage Per Worker (at 1960 Prices) (Rs)	Annual Average Earning Per Employee (at 1960 Prices) (Rs)	Value Added Per Employee (at Current Prices) (Rs)	Income-Deflator for Registered Manufacturing Sector (1960-61 = 100)	Value Added per Employee (at 1960-61 Prices) (Rs)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1959	1103	1389	na	na	na	2508	na	na
1960	1212	1483	100	1212	1483	2791	100	2791
1961	1306	1602	104	1256	1540	3143	100	3143
1962	1402	1730	107	1310	1617	3195	101	3163
1963	1475	1845	110	1341	1677	3475	107	3248
1964	1563	2000	125	1250	1600	3686	109	3382
1965	1735	2231	137	1266	1628	4010	117	3427
1966	1898	2465	151	1257	1632	4305	125	3444
1967	2089	2753	172	1215	1601	4481	128	3501
1968	2224	3002	177	1256	1696	4777	132	3619
1969	2349	3120	175	1342	1783	5578	141	3956
*1970	na	3307	184	na	1797	6000	145	4138
*1971	na	3463	190	na	1823	6430	151	4258

° Provisional, based on indicators prepared from Labour Bureau data.

TABLE 3

Year	Index of			Index of		
	Average Wage per Worker	Average Earning per Employee	Value Added Per Employee	Average Wage Per Worker	Average Earning Per Employee	Value Added Per Employee
	(at current prices, 1960 = 100)			(at constant prices, 1960 = 100)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1959	91.01	93.66	89.86	na	na	na
1960	100.00	100.00	100.00	100.00	100.00	100.00
1961	107.76	108.02	112.61	103.63	103.84	112.60
1962	115.68	116.66	114.48	108.09	109.04	113.33
1963	121.70	124.41	124.51	110.64	113.08	116.37
1964	128.96	134.86	132.07	103.14	107.89	121.18
1965	143.15	150.44	143.68	104.46	109.78	122.79
1966	156.60	166.22	154.25	103.71	110.05	123.40
1967	172.36	185.64	160.55	100.25	107.96	125.44
1968	183.50	202.43	171.16	103.63	114.36	129.67
1969	193.81	210.38	199.86	110.73	120.23	141.74
°1970	na	222.99	214.98	na	121.17	148.26
*1971	na	233.51	230.38	na	122.93	152.56

° Provisional, based on indicators prepared from Labour Bureau data.

The basic data are presented in Table 1 "workers" refer to all persons defined as workers under the Factories Act (1948), but excludes all other employees in supervisory, managerial and administrative work. "Total" includes all workers, and other employees engaged in administrative, technical and clerical work in the factories, but excludes employees engaged in distributive activities. "Wages" refer to all remuneration in terms of money paid to workers, more or less regularly, while "total emoluments" consist of salaries, wages and bonus to all employees and imputed value of all benefits given in kind, as well as employers' contribution to Provident Fund, Pension, Gratuity, etc. However, for 1967 to 1969, ASI data on "total emoluments" are exclusive of the employers' contribution. Necessary adjustments have been made in the "total emoluments" figures for these years, on the basis of separate data on employers' contribution available for 1965 and 1966.

Statistics on per capita annual wages/total emoluments/value added as obtained from ASI and Labour Bureau data are furnished in Table 2. At current prices per capita average wages went up by 113 per cent during 1959 and 1969, while the increase had been 149 and 156 per cent respectively in total earnings and value added per capita, over 1959 and 1971. However, it would be interesting to find out how much of these increases in wages, etc, were due to price rise and what had been the real increase in these growth indicators. The "wages" and "total earnings" have been deflated with the help of the all-India working class consumer price index numbers, with 1960 as base, and the value added deflated

TABLE 4

	NDP in the Registered Manufacturing Industries (Rs crores)	Total Compensation to Employee in the Registered Manufacturing Industries (Rs crores)	Share of Compensation to Employees to Total NDO
	(at current prices)		
1960-61	1071	572	53.4
1961-62	1176	633	53.8
1962-63	1298	737	56.8
1963-64	1518	823	54.2
1964-65	1686	960	56.9
1965-66	1839	1110	60.4
1966-67	1970	1241	63.0
1967-68	2041	1376	**67.4**
1968-69	2192	1535	**70.0**
1969-70	2483	1665	67.1
*1970-71	2597	1839	70.8
°1971-72	2869	1985	69.2
	(at 1960-61 prices)		
1960-61	1071	572	53.4
1961-62	1178	608	51.6
1962-63	1291	689	53.4
1963-64	1421	748	52.6
1964-65	1543	767	49.7
1965-66	1572	811	51.6
1966-67	1579	821	52.0
1967-68	1593	800	50.2
1968-69	1664	867	52.1
1969-70	1763	952	54.0
*1970-71	1836	1000	54.5
°1971-72	1905	1045	54.9

° provisional

by the implicit income deflator for the registered manufacturing sector, as obtained from the official national income statistics. In real terms, wages had gone up by only 11 per cent during 1960-69, while the corresponding growth in total emoluments had been 23 per cent and in value added as much as 53 per cent, over 1960-71. Though total emoluments per employee at current prices had gone up by more than 133 per cent during 1960-71 (from Rs 1,483 to Rs 3,463), in real terms they have gained by 23 per cent only as compared to a 53 per cent increase in value added per employee at constant prices. The total net domestic product in India registered an increase of 43 per cent during 1960-71 (in real terms) and the per capita income by 13 per cent only. Though at current prices, the total earnings per employee in the factory sector registered a rising trend over the period under study, when deflated by the increase in their cost of living the trend had been quite erratic — registering sharp falls during 1964 and 1967. Similar trends are noticed in the average wage per worker as well, but the value added per worker

had recorded continuously rising trends both at current and at constant prices. Indices of average wages, total emoluments and value added at current and constant prices are presented in Table 3. At current prices, the index of average earnings had been consistently above those of value added, since 1964. But at constant prices the picture is completely reversed.

The share of total emoluments (which in other words is known as compensation to employees) in the total income originating in the registered manufacturing industries sector over the years under consideration, at current and constant prices, would furnish an interesting study (Table 4). Data on net domestic product, at current and constant prices are official estimates, which are mainly based on ASI and on index of industrial production data, with necessary adjustments for non-responding units and for imputed bank charges (the latter is deducted from the net value added as it forms a part of the income originating in the banking and insurance sector). Necessary adjustments in the total emolument figures noted above, have been made for Defence manufacturing establishments and for the non-responding units to make these comparable with the estimates of net domestic product in this sector. At current prices, the share of employees registered a sharp rise from 53.4 per cent in 1960-61 to 69.2 per cent during 1971-72, though the highest share was obtained during 1970-71. But the picture has been rather disappointing when we look at the constant prices series. Employees' share in the total domestic product in the registered factories sector had recorded only a slight increase during the years under study, with erratic trends, registering fluctuations all over the period, the lowest recorded at 49.7 per cent during 1964-65 and highest at 55 per cent in 1971-72. The increase in the proportion of the net domestic product, in the registered factories sector, going to the employees was mostly wiped off by the sharp price rise. Though the total compensation to employees did shoot up from Rs 540 crores in 1960 to Rs 1,985 crores in 1971, the lot of the people working in this sector had only marginally improved. The picture would have been darker if relevant data relating to 1972 and 1973 were available for processing, as the price spiral has eroded whatever the factory workers (including the white-collars) managed to get by way of wage/salary increase and other benefits in the form of free or subsidised food, fuel, accommodation, electricity, water, sanitary services, transport, medical attention, education, welfare projects, etc, as well as of employers' contribution to PF, Pension, Gratuity and other social welfare measures. As the factory workers mostly spend all their earnings on bare necessities (food, clothing, house rent and education), their real wages must go up not only to provide them with a better level of living, but also to give them more incentives for better productivity and saving. A more meaningful analysis would have been to study the change over time in the distribution of total earnings amongst factory employees to check which section of workers has benefited by the 23 per cent rise in the total emoluments during 1960-71. With the marginal rise in the per capita earnings during the sixties and early seventies, it would have been interesting to examine if it was shared more by the lower paid workers than by the comparatively well-off section of the employees. However, the existing statistical information is deficient to throw any light on the distributional aspect of the earnings of the factory employees, though the basic data can be collected by the ASI, once in every five years, to examine how the additional income generated by the employees is distributed amongst them.

India and the World Tea Economy

K B K Rao

Augus Hone

This article describes the policy failures in the tea sector during the 1960s and 1970s and suggests measures that would enable the industry to continue to expand its output for domestic and international markets while pursuing the possibility of an international tea agreement to regulate export availability of tea and to raise the market price.

Obviously, such an agreement would have to cover policies relating to expansion of acreage, replanting, replacement and domestic consumption, on the one hand, and to market sharing and quotas, on the other.

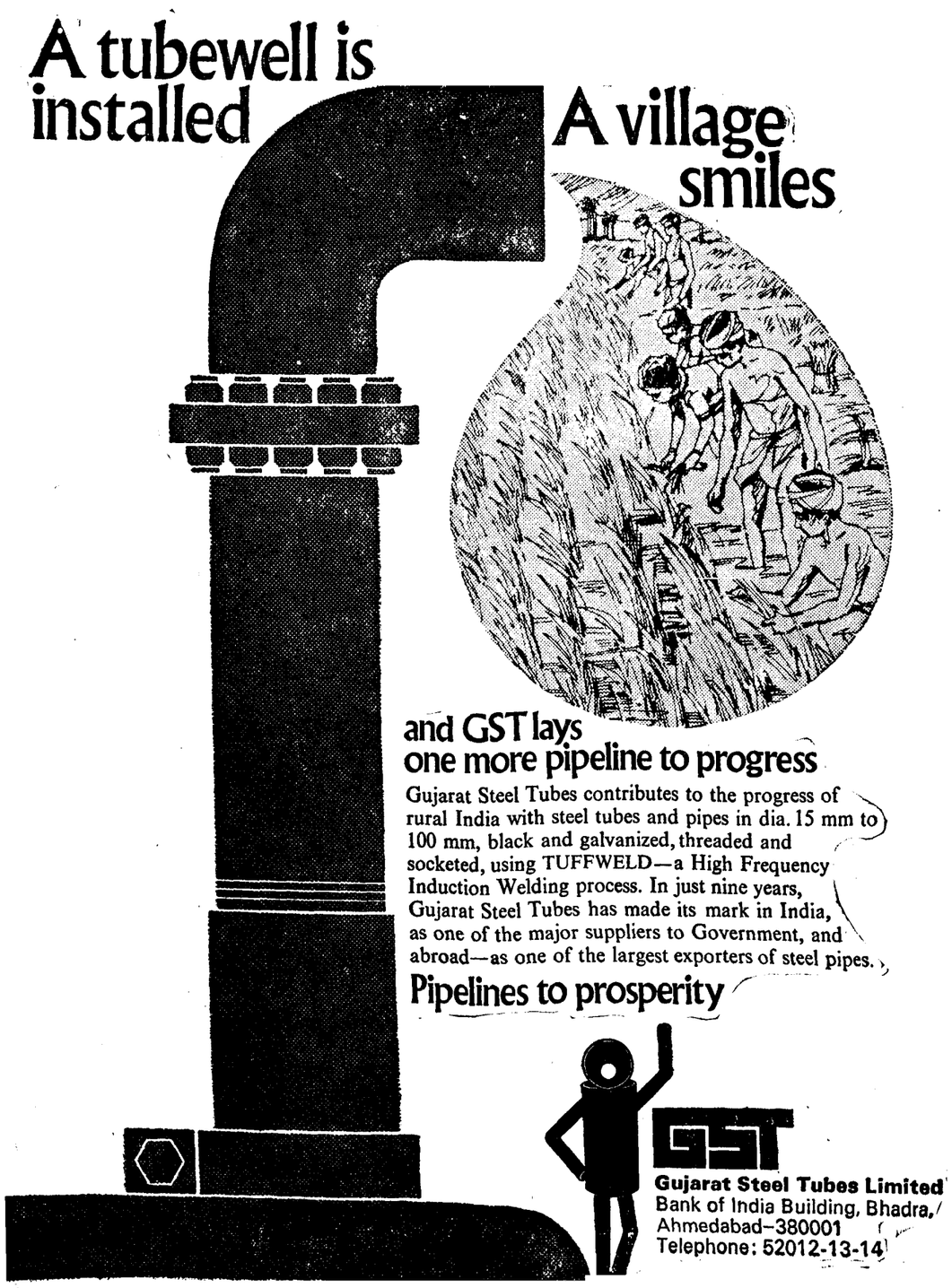
Any tea agreement would, at the same time, have to make provision for a well-planned and heavily financed promotion plan designed to expand tea usages.

The revival of India's tea in world markets from 1975 to 1985 will require an integrated promotion to expand the exportable surplus even as domestic consumption expands, a working agreement to raise price and export earnings, and a promotional strategy to expand tea's market in competition with coffee and other beverages.

"Though tea consumption will doubtless continue to increase, prospects for producers in the short and medium term do not appear particularly favourable unless a satisfactory international tea agreement can be concluded and implemented, and unless substantially larger funds can be made available to promote tea and thus raise the rate of increase of demand, particularly in developed market economy countries."
— "Plantation Crops", Commonwealth Secretariat, London, 1974, p 95.

INDIAN tea exports have fluctuated between Rs 160 crores and Rs 180 crores since the middle of the Third Plan; and government conceded, albeit implicitly, that tea export earnings are likely to stay stagnant. The Fourth Five-Year Plan while estimating an increase from Rs 180 crores in 1967-68 to Rs 205 crores by 1973-74 cautiously commented that:[1]

"The growth of our major traditional exports, and in particular tea, jute and cotton textiles is likely to



be slow."

In the event, policy failures, a gradual erosion of the competitiveness of Indian tea in world markets, and a very low level of spending on marketing and promotion have confirmed the correctness of the Planning Commission's outlook if not the accuracy of their forecast. Actual 1973-74 offtake of tea is likely to be between Rs 160-170 crores, and the Fifth Plan's projected figure for 1978-79 is as low as Rs 174 crores — which is significantly lower than the Rs 228 crores projected in the Fourth Plan for 1978-79 and the Rs 240 crores for 1980-81.[3]

It will be the purpose of this article to describe the policy failures in the tea sector during the 1960s and 1970s, and to suggest measures that would enable the industry to continue to expand its output for domestic and international markets while pursuing the possibility of an international tea agreement to regulate export availability of tea and to raise the market price. Obviously, such an agreement should cover policies by the tea-exporting countries relating to expansion of acreage, replanting, replacement, and domestic consumption, on the one hand, and to market sharing and quotas, on the other. Any tea agreement would, at the same time, have to make provision for a well-planned and heavily financed promotion plan designed to expand tea usages.[3] The revival of India's tea sector in world markets from 1975-1985 will require an integrated promotion to expand the exportable surplus even as domestic consumption expands, a working agreement to raise prices and export earnings, and a promotional strategy to expand tea's market in competition with coffee and other beverages: beer, wine and soft drinks.

Production Background

The Indian tea industry, in common with that of Sri Lanka, has not expanded its acreage very significantly. In contrast, the East African producers have been expanding acreage under tea rapidly (see Table 1).

The pattern of India's expansion of acreage and yield has been by extension. Replanting has been extremely limited, and since 1967 India's total replanting particularly with the high-yielding teas prepared by 'Vegetative Propagation' methods fell behind that of Sri Lanka in spite of an acreage 50 per cent larger in total.[4] Sri Lanka has pushed ahead a major replanting with high-yielding VP teas.[5] Plans for Kenya, too, suggest a continuing rapid expansion of smallholding tea (see Table 2).

The economics of such acreage expansion, given the high yields from VP teas with irrigation and fertiliser application, may be doubted but total replantings from 1962-63/1971-72 did not exceed 50,000 acres.[6] Indian production, however, has expanded more rapidly than was thought likely in the earlier years of the Fourth Plan, and the target of 460 million kg was exceeded in 1973 (see Table 3).

However, there are many difficulties in the 1974 season, particularly as far as diesel oil, nitrogenous fertiliser, herbicide and pesticide supplies are concerned. Tea output, after a promising recovery from unfavourable weather and the Dooars area strike in West Bengal in 1969, has failed to reach the limits set under the International Arrangements for the Stabilisation of Tea Prices, which produced the Mauritius agreement and the system of internationally agreed exports.[7]

India's exports in 1973-74 were around 207 million kg against a quota of 217.8 million kg. The likelihood of 224 million kg target being achieved in 1974-75 — given the problem of inputs — must be considered remote. The additional difficulties of shipping and warehouse space will not be solved immediately, and the pull of a strong and growing domestic consumption is unlikely to be dampened sufficiently by the recent rapid inflation (of over 25 per cent in 1973-74) to allow the exportable surplus to be expanded (see Table 4).

A close study of Table 4 reveals that, if the domestic consumption of tea continues to rise in 1974 instead of falling marginally along with the fall in real income, it will be virtually impossible to hold exports at their present physical level. Export earnings, however, may rise as a result of higher prices from the international auctions at Calcutta, Cochin and London, where the January-May prices have been marked up by 25-30 per cent as the shortage produced by the weather and fertiliser shortages began to be felt.[8] The years ahead will be particularly difficult if agricultural output and real incomes begin to rise again in 1975 and 1976. All studies point to tea having a high income-elasticity of demand in India. Per capita consumption increased from 0.25 kg to 0.37 kg from 1955-57 to 1967-69. Total consumption increased at the same time by 5.8 per cent annually, or by a cumulative total of 95,000 tonnes. Total consumption has been expected to increase by 5 per cent yearly between 1967-69 and 1980 (reaching 350,000 tonnes in that year).[9]

Table 1: Area Planted with Tea
(in hectares)

	1961	1971
India	333,000	358,000
Sri Lanka	238,000	242,000
Kenya	18,000	50,000
Uganda	8,000	19,000
Tanzania	8,000	14,000
Malawi	12,000	16,000

(All figures rounded)

Source: International Tea Committee, *Annual Bulletin of Statistics 1973*, Table A.

Table 2: Kenya's Planned Expansion of Smallholder Tea Acreages

Year	Acres
1961	3,500
1971	52,370
1975	65,600
1978	106,000
1981	150,000

Source: Employment, Incomes and Equality: Kenya ILO, Geneva (1972).

Table 3: Indian Tea Production
(million kg)

1961	354.4
1967	384.8
1968	402.5
1969	393.6
1970	418.5
1971	433.3
1972	454.0
1973*	469.0

Note° Estimate, *Financial Times*, London, April 25, 1974.

Source: International Tea Committee, *op cit*, Table 2.

However, it must be expected that 1973 and 1974 reverses in the economy will affect the pattern of tea consumption, and it is extremely unlikely that domestic consumption will continue to rise at its previous pace. The previous rate of increase was due to three factors: population increase (2.2/2.5 per cent per annum), fall in real retail prices of tea (1.5-2 per cent), and finally elastic demand for tea with reference to real income changes (2/2.5 per cent annually).[10] It is nevertheless possible that, as consumers become used to tea, they are highly resistant to reducing their purchases even when real incomes fall, as in 1966-68 and 1972-74. During these periods, domestic tea consumption has held up well and made it very difficult to expand exports to reach agreed quota levels.

A number of commentators have become increasingly concerned that overall production growth rates are not adequate to increase exports by even 1.2 per cent per annum. K M Mandava-



TABLE 4: PRODUCTION, EXPORTS AND ESTIMATED CONSUMPTION OF TEA IN INDIA

(Thousand tonnes)

	Production	Exports	Domestic Consumption
1961	354.4	206.3	139.6
1968	402.5	208.4	185.9
1969	393.6	168.7	203.3
1970	418.5	200.2	213.0
1971	433.3	191.6	222.0
1972	454.0	209.8	225.0
1973*	469.0	205.0	240.0
1974*	465.0	205.0	236.0

Sources: International Tea Committee, Tables and C1 and D23 (for India Consumption).

*Note**: 1973 and 1974 are based on an estimated 1973-74 export figure of 207,000 tonnes and a deterioration from April 1974 as a result of fertiliser shortages.

walla estimated that:[11]

> "On this basis, tea exports from India would rise to around 220 million kg in 1973-74."

As a result of rising domestic consumption, with an inadequate rate of production expansion, 1973-74 exports have been under 210 million kg, with a further fall to 200-205 million kg in 1974-75 appearing almost inevitable.

PRODUCTION AND PROFITABILITY

The trend increase in tea production from 1961-70 was as low as 1.9 per cent. A committee of the India Tea Association suggested that this be raised to 3 per cent to allow for holding of exports in the range of 200-210 million kg and increase of domestic consumption at 5 per cent annually. In the event, tea production grew by over 3 per cent from 1970 to 1973, but domestic consumption rose by over 6 per cent. The likely production falls in 1974 will thus make it almost impossible for tea exports to be above 200 million kg in 1975 and 1976 unless domestic demand ceases to rise.

India has suffered from the age-pattern of its tea bushes:[12]

> "... around a third of Indian tea bushes are over 50 years old, and a further two-fifths are between 30 and 50 years; replanting, replacements or extension is obviously of importance and will become increasingly so as the years pass."

However, extension of area — rather than replanting with high-yielding cloves produced through vegetative propagation — has been responsible for the bulk of newly expanded production. A major USAID study on the tea industry in 1971 suggested that at present it was uneconomic to replant many of the North Indian and the bulk of South Indian gardens. Replanting costs rose steadily in the 1960s, and rising costs and falling export prices in the late 1960s combined to reduce returns to the tea companies to very low levels. Table 5 shows the 1964-72 London auction prices.

Subsequently, in 1973, and in the early months of 1974, export prices have again risen, and domestic prices have followed export prices since the poor realisations in export markets during 1966-70. That the recovery of the price from 1969-70 to early 1974 meant a significant change in the profitability, was brought out by the 1967 study of the Reserve Bank. The study showed a rate of return only slightly more than half the average for all industries.

The government has, however, offered various forms of assistance to the industry: the Tea Machinery Hire Purchase Scheme from 1960, which can loan up to Rs 6 lakhs per garden; a Tea Plantation finance scheme with loans of up to Rs 13,750 per hectare; and a Replanting Subsidy Scheme from October 1968 which from 1972 allows Rs 5,000 for plains gardens and Rs 6,000 for hill gardens for each hectare of average bushes replanted. In the second half of 1972, moreover, the Reserve Bank of India instructed the commercial banks to lend on easy terms to the industry.

COMPETITIVENESS OF INDIAN TEA: 1961-74

The declining competitiveness of Indian tea in the major non-communist consuming countries has been matched by a growing volume of exports to the bilateral markets. Table 6 shows the change in the pattern of destination of Indian tea exports during 1961-72.

The increase in bilateral shipments, from under 40,000 tonnes in 1961 to over 90,000 tonnes in 1972, largely confirms the pattern noted by K M Mandavawalla in Table 4 of this article[13] where he observes an increase in bilateral exports as a percentage of total exports, from 19.9 in 1960-62 to 44.6 in 1968-69.

It is sometimes argued that India's bilateral exports represent a displacement, or shift, and not a net addition to total tea exports.[14] India's losses in the UK market were replaced by a massive surge in East African exports, which rose by 114 per cent from 1957-60 to 1969-70. Since East African prices were consistently below North Indian prices it might well have been very difficult for India to compete for the UK market without driving prices sharply lower.

In the fifties, Indian export prices were undoubtedly up because of excise and export duties accounting for 10-15 per cent of the export price of tea.[15] And it is possible that:[16]

> "... rather than engage in a price war India accepted a loss of her market share."

India has in fact suffered more throughout the period in question from a de-

TABLE 5: LONDON AUCTION PRICES OF ALL-INDIA TEAS

(Average pence per kg)

1964	42.1
1965	41.1
1966	37.7
1967	39.0
1968	38.8
1969	31.6
1970	40.4
1971	39.9
1972	37.9

Source: International Tea Committee, *op cit*, Table F 1.

TABLE 6: INDIA'S SHIPMENTS TO MAJOR MARKETS, 1961 AND 1972

(tonnes)

	1961	1972
Free Market		
UK	123,211	64,030
W Germany	1,582	4,891
Ireland	6,499	5,860
Netherlands	1,600	11,938
US	10,766	6,864
Iran	3,853	3,321
Bilateral		
Poland	—	6,611
USSR	11,874	40,419
Afghanistan	3,309	9,162
Iraq	2,116	5,691
Egypt	15,611	13,193
Sudan	6,709	14,350
Tunisia	330	3,091
Total	206,292	209,814

Source: International Tea Committee, Table C 2.

cline in the international price of tea, particularly at the London auctions, although this has been reversed from 1972 to 1974.

Table 7 shows the improvement of tea prices in 1972, which further accelerated in the last quarter of 1973 and the first quarter of 1974. At the same time, India's share in world markets continued to fall upto 1971, with slow replanting and the low profitability in the industry. However, the production performance from 1970-73 has been extremely impressive and suggests that the initially higher yields of the Indian tea industry were capable of being raised even further by improved husbandry, weeding, and increased fertiliser applications. However, the very high cost of fertilisers and their shortage as a direct result of the oil crisis from October 1973, may lead to a very serious production crisis in 1974 and 1975 as the older Indian gardens with their average bushes and their low proportion of recently planted or replanted VP teas may suffer much sharper falls in yields per acre than would the gardens in Sri Lanka or East Africa.

The tea industry had only begun to recover in 1970-71 from the very poor years of 1968-69 and 1969-70 and the heavy tax provisions which depleted the resources available to the industry.

Reinvestment by the major groups was postponed, or in some cases took place in East Africa instead, where groups such as Brooke Bond, Liptons, and Williamson Mager, had built up substantial interests.

Tea Agreements and Quota Restrictions

The long-term outlook for tea prices has been recognised as a major problem for producers. The FAO in its "Agricultural Commodity Projections 1970-80", projected consumption growth at 2.8 per cent and output at 3.8 per cent, and estimated that the commodity would be in surplus.[17] These projections were prepared in 1969, before the dramatic fall in the UK consumption since 1970.

Already, the search for an agreement among the producers had been under way for several years. *Ad hoc* consultations took place in Sri Lanka in 1965, in Britain in 1967, and in Kampala in January 1969. Further discussions in Rome and Mauritius led to the establishment of a Working Party on Long-Term Measures. The Working Party met in April 1970 and decided on an export quota agreement. The 1970 quotas were revised in September 1970 to take account of shortfalls and overful quotas. The export quota system has continued to be in force (see Table 9).

The weakness of the export quota agreement has been its failure at the same time to examine ways of significantly raising prices and its failure to ensure positive action to begin properly financed advertising and promotional campaigns for tea.[18]

The history of previous tea agreements and their weaknesses was carefully reviewed by Liaqat Ali,[19] who was particularly emphatic in documenting the stagnation of world exports during 1961-68 — a position seriously worsened by the devaluation of the pound sterling in November 1967, which led to a sharp fall in receipts *in dollar terms*.

The downward trend in prices (Table 7) and in total receipts has been partially reversed since 1970, though the upward trend was again reversed in 1971 and did not move sharply ahead till 1973-74; even now it is hardly sufficient to cover cost increases forced on the tea companies by the oil crisis. Happily, the earlier pessimism of the 1969 UNCTAD study[20] — which estimated a price decline of almost 4 per cent a year against a 2 per cent annual volume increase and saw a fall in export value to $ 400-425 million in 1975 — has proved totally unfounded. Exports in 1975 are likely to exceed $ 600 million. The quota system can undoubtedly claim considerable credit for this achievement, although the present situation is still unstable because of the absence of agreement on production control. The continuing expansion of East African production also makes it most unlikely that production controls can be agreed to in the immediate future. Liaqat Ali was correct to concentrate on the problem of reduction in tea planting programmes:[21]

> "The major exporters might still find it advantageous to reduce their exports in order to support a higher price (for instance, the 1968 level) provided, as *quid pro quo*, future planting of small producers could be so restricted that the rate of growth of export availabilities does not exceed the growth of world import demand at the agreement price level."

Clearly India and Sri Lanka would have to offer the smaller East African producers as well as Indonesia and Bangladesh a growing share of world quotas *and* a higher price in order to get any agreement on acreage limitation. Such a policy will involve withdrawal of up to 10 per cent of their joint exports *either via* additional bilateral sales in Eastern Europe and the Soviet Union *or* by lowering of tea excise duties in India to increase offtake in 1974-75 and 1975-76 from 230,000-200,000 tonnes to 250-000-260,000 tonnes. Without a radical upward shift in prices, it is unlikely that the export quotas can be made watertight, as India and Sri Lanka fail to fill their agreed quotas and the East African plantings and yields continue to expand.

The system of export quotas agreed to in Mauritius has worked to prevent falling prices of tea exports from

Table 7: Unit Value of Tea Exports 1961-1972

(US cents per kg)

	1961-65	1966-70	1970	1971	1972
World Total	111.7	92.4	86.3	88.4	92.5
Sri Lanka	116.7	96.0	90.3	92.6	101.9
India	123.8	106.4	98.2	100.4	103.7
Africa	88.2	83.6	80.8	82.1	82.7

Source: FAO Commodity Review and Outlook 1972-1973 (Rome) 1973, Table 55, p 173.

Table 8: Profit Allocation Ratios of Tea Plantations

(as per cent)

Year	Tax Provision to Profits before Tax	Dividend to Profits before Tax	Retained Profits to Profits before Tax	Profits after Tax to Net Worth
1965/66	59.1	38.9	2.0	5.5 (8.8)
1966/67	53.7	38.3	8.1	6.9 (9.0)
1967/68	57.3	32.1	10.6	7.9 (7.1)
1968/69	62.9	43.8	—6.8	3.9 (6.8)
1969/70	66.9	42.6	—9.5	4.3 (9.3)
1970/71	53.3	32.7	14.1	8.6 (10.1)

Note: Figures in brackets are all-industry averages.
Source: Finances of Medium and Larger Public Limited Companies 1970-71, Reserve Bank of India *Bulletin*, September 1972, Table 1, pp 1433-34.

Table 9: Internationally Agreed Export Quotas and Actual Exports of Black Tea

(million lb)

	1970	1971-72b		1972-73c	1973-74
India	928.0	1,115.5	(465.8)	466.3	480.2
Sri Lanka			(459.4)	459.9	472.2
Bangladesh	—	—	(—)	57.8	57.3
Vietnam (South)	1.5	0.4	(0.2)	3.5	4.0
Indonesia	77.0	105.8	(88.4)	93.0	95.2
Burundi	0.5	1.1		1.1	1.3
Kenya	85.8a	104.3	(79.4)	100.3	112.4
Malawi	38.4a	60.6	(41.4)	43.9	45.6
Mauritius	6.6a	9.3	(7.3)	10.1	10.6
Mozambique	36.2	55.1	(37.9)	39.0	41.4
Tanzania	17.1	22.0	(18.3)	20.9	22.5
Uganda	40.6a	45.4	(35.5)	46.5	52.2
Zaire	22.0	24.9	(19.6)	29.1	31.1
Argentina	32.5	54.2	(44.3)	56.0	63.5
Brazil	—	—	(11.5)	10.2	10.8
Turkey	20.6	24.3	(58.0)	—	—
Taiwan	8.1	6.6	(13.4)	—	—
Rwanda	3.3	5.5	(4.0)	—	—
Cameroon	2.0	1.5	(1.3)	—	—
Unadjusted Total	1,320.1	1,636.7		1,437.6	1,500.5
Less forecast shortfall	8.8d	32.6e		72.9f	78.5f
Adjusted total	1,311.3	1,604.1	(1,364.5)	1,364.7	1,422.0

Note: Figures in brackets represent actual exports in 1971-72 (April-March).
(a) Original quotas as follows: Kenya 76.0, Malawi 36.2, Mauritius 9.5 and Uganda 5.4.
(b) The quotas originally allocated for 1971 were the same as in 1970-71.
(c) The 1972-73 quotas (April-March basis) were agreed only in September 1972; there were therefore no quota restrictions on exports during the period April-September 1972.
(d) Originally forecast at 1 per cent (13.2).
(e) Forecast at 2 per cent.
(f) Forecast at 5 per cent.
Source: Table 63, Plantation Crops, London (1973).

1970 to 1974. Tea was particularly suited for the introduction of an agreement. It was almost entirely exported by developing countries and its market characteristics make limitation of exports feasible. At present there is no competition from synthetics or substitutes, though in the absence of promotion other beverages such as coffee, soft drinks, beer, and wine, have eroded the demand for tea in its traditional markets such as the United Kingdom. The price-elasticity of demand is low. Finally, imports and exports are concentrated in a few countries and there is no significant protected production outside Japan. However, between 1975 and 1980, it is unlikely that the export quotas, by themselves, will have satisfactory results, without a major attempt to secure acreage limitations and mount a major promotional campaign to hold the levels of tea consumption in traditional markets and expansion in new or changing markets. India should take the initiative within the Standing Exporters' group.

Promotion and Advertising

Promotion of tea has been sadly neglected since the Tea Council's earlier campaign from 1961-64, which held tea consumption in the United Kingdom between 1961-1965 at 230,000 tonnes.[22] However, since 1965, UK consumption has fallen alarmingly: from 218,590 tonnes (4.01 kg per head) in 1966 to 197,201 tonnes (3.52 kg per head) in 1973.

The UK position highlights the dual strategy necessary on the part of the producers: promotion to maintain per capita consumption in countries where tea drinking is established, and carefully planned advertising to raise per capita consumption elsewhere but particularly in economies with high or rapidly expanding per capita incomes.

Delays in planning from 1969 have been followed by delays in agreeing to spend on the detailed promotional campaigns.[23] Initially, India and Sri Lanka wished to spend 2 per cent of the tea export earnings and Kenya 1 per cent; but delays and difficulties led to Sri Lanka's withdrawal from the UK generic campaign in 1971, and this has only been resumed at £ 225,000 for 1973.

Brand advertising by tea companies has partially filled the gap. But low sales promotion expenditures and very limited generic promotion has meant that expenditure on tea promotion as a proportion of turnover is only half that for coffee in the United Kingdom.[24] In West Germany, tea promotion expenditures are equal to only 10 per cent of coffee and 1 per cent of all drinks.

Tea has also lost because of the small proportion of instant tea sold outside the United States, where it accounts for over 30 per cent. Very little has been spent also on promotion of iced tea and iced tea mixes in markets such as Australia, South Africa, Japan, Italy and France. Tea has lost in institutional markets sold through vending machines — tea in the UK has less than 22 per cent of this market and coffee over 60 per cent. Finally, tea bags were introduced in all markets and have contributed to the reduction in tea consumption in the UK,[25] although they may have assisted tea in the small Scandinavian EEC markets.

Promotional Strategy

A promotional strategy for Indian tea exports, in collaboration with other producers, should be based on five separate promotional and advertising strategies — costing a minimum of 2 per cent : $ 12 million out of total tea exports at $ 600 million :

(1) A campaign to prevent further erosion of the United Kingdom, Ireland, Canada, South Africa and Australia market, with very high per capita consumption figures. In 1972, the UK absorbed 192,000 tonnes and the others 12,700 tonnes, 21,000 tonnes, 19,000 tonnes and 26,000 tonnes, respectively. However, with the exception of South Africa, consumption has been stagnant or falling. A major expenditure of $ 3 million, out of the $ 12 million allocation, should be spent in these markets concentrating on the 13-24 age group and young housewives as well as on promoting iced tea drings for summer use. A large portion of this budget, perhaps up to $ 500,000 per year, would have to be spent on improving the convenience of tea brewing and

Table 10: Total World Exports

(million US dollars)

1961-65	585.3
1966-70	511.8
1970	507.7
1971	538.4
1972	579.0

Source: FAO Commodity Review and Outlook, 1972-73.

the share of tea in automatic vending outlets.

(2) The second major effort should be spent in the United States market where tea consumption has climbed from a 1961-1963 average of 54,000 tonnes to over 70,000 tonnes in 1970-1972. To make an impact in the United States market, an allocation of at least $ 3 million would be required with a concentration on iced tea drinks for summer use and luxury quality teas, which are particularly produced in India.

(3) The third major market would be Europe — Germany and Scandinavia. But the coffee habit is strongly engrained here and total consumption is still very small, at 15,000 tonnes in 1971, though strongly up from 10,000 tonnes in 1961. The allocation should be limited to $ 1.5 million and spent largely in Sweden and Germany.

(4) The next major market is critically important. The oil States of North Africa and West Asia, excluding Afghanistan which is a traditional market, will continue to grow in importance. Saudi Arabia and the Gulf (20,000 tonnes +), Iran (7,000-8,000 tonnes), Iraq (20,000 tonnes), Syria (2,500 tonnes) have expanded since 1961. In North Africa, Libya now has the highest per capita consumption of tea, at over 4.5 kg (12,000 tonnes). Egypt (30,000 tonnes), Morocco (12,000 tonnes), Sudan (15,000 tonnes) and Tunisia (4,000 tonnes) are all important consumers, and India is an important supplier only if a bilateral agreement has been signed. The same position is repeated in West Asia. India sells in Egypt, Sudan, Iraq, Tunisia and Jordan; but loses markets to Sri Lanka where there is no bilateral trade that supports prices and offtake. In any case, a joint strategy is needed, costing perhaps $ 2 million, to expand consumption in line with rising oil or oil-based incomes.

(5) Finally, there is the Japanese market. Japan has traditionally been a green tea market, but is gradually shifting to black tea and is importing a larger proportion. Tea production there has remained stationary at 85,000-90,000 tonnes from 1965, while imports have climbed from 3,500 tonnes in 1965 to nearly 19,000 tonnes in 1972 — the tariff has been cut from 35 per cent to 5 per cent; black tea imports have risen from 2,613 tonnes in that year to 7,167 tonnes in 1972. The Japanese market, particularly if domestic production is cut back till 1980, could justify the spending of $ 1.5 million annually to promote branded and packeted teas.

This joint promotional strategy will leave $ 1 million for administration and reserves on an annual basis. This expenditure of $ 12 million *might* well raise the annual offtake in the market by between 1-2 per cent annually, or $ 6-12 million dollars at current prices, and would certainly slow down the erosion of certain saturated markets and build up consumption in the low per capita consumption countries. While promotion cannot by itself guarantee increased market offtake, without promotion demand growth will be slow and prices will be weaker.

Conclusions

This article has stressed the need for an integrated strategy to rebuild India's tea sector. Higher profitability will be required, along with specific measures aimed at encouraging these, to allow major replanting and re-equipment in the plantations. India must work to link the export quotas in the present tea agreements to higher prices and to withdrawal of a part of the India/Sri Lanka production from the auction rooms — but only after the East African producers have agreed to control new plantings and to cutback on production and export. The present agreemeants are unlikely to survive till 1980 if East Africa continues its policy of indiscriminate expansion. Finally, whatever is done to expand domestic production and raise prices internationally, it is absolutely vital that tea is advertised and promoted as effectively as coffee and other drinks are in the key markets. The world market for tea over the next 10 years can provide India with a profitable and growing market for its teas. But India will have to produce and market her primary products much more effectively than in the past.

Notes

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1 Fourth Five-Year Plan, 1969-1974, Planning Commission, New Delhi (1969) p 40.

2 Fourth Five-Year Plan, *op cit*, p 40.

3 For a preliminary note on the possibilities of an agreement see Angus Hone "The Imperatives of an Agreement", *Economic and Political Weekly*, Volume IX, No 9 March 2, 1974, pp 339-40.

4 See International Tea Committee, *Annual Bulletin of Statistics* 1973 Table A. 1.

5 See "A Hundred Years of Ceylon Tea 1867-1967" by D M Forrest, London 1967, pp 248-50; and "Matching Employment Opportunities and Expectations: A Programme of Action for Ceylon", ILO Geneva (1971).

6 International Tea Committee, *op cit*, Table A 1.

7 See "Plantation Crops" London 1973, Table 63, p 118.

8 *Financial Times* (London) Tea auction data January-June 1974.

9 Estimates derived from a World Bank "Review of the World Tea Economy" 1970.

10 N S Ayengar found earlier that the income elasticity of demand for tea in India is 1.25 in the rural areas and 1.16 in the urban areas. N S Ayengar: "Some estimates of Engel elasticities based on National Sample Survey data", *Journal of Royal Statistical Society* 1967.

11 K M Mandavawalla, "Problems and Prospects for Indian Tea Exports during the Fourth Plan", *Reserve Bank of India Bulletin*, March 1971, pp 332-51.

12 "Plantation Crops" *op cit*, p 82.

13 K M Mandavawalla, *op cit*, p 334.

14 See The Case for Tea — The United Planters' Association of Southern India 1968, pp 54-55.

15 Manmohan Singh, "India's Export Trends and Prospects for Self-sustained Growth" Oxford 1964.

16 Asha L Datar, "India's Economic Relations with USSR and Eastern Europe 1953-1969", Cambridge 1972, pp 140-2.

17 FAO Rome (1969)

18 See Angus Hone "The Imperatives of an Agreement", *op cit*, pp 339-40.

19 Liaqat Ali "The Regulation of Trade in Tea", *Journal of World Trade Law*, Volume 4, No 4 July-August 1970, pp 565-85.

20 See UNCTAD "The Outlook for the World Tea Market 1968-75" Geneva, March 1969.

21 Liaqat Ali, *op cit*, p 583.

22 International Tea Committee, *op cit*, Table D 1.

23 See "Outline plans for promotional campaigns" for Denmark, West Germany and Iran, International Trade Centre, Geneva (INT/UNCTAD/69/15).

24 See *Tropical Products Quarterly*, March 1971 and March 1972, London.

25 The Tea Council, "Special Research Study on Tea Usage" calculated the loss at 10 per cent, *op cit*, p 14.

Kachchativu Settlement

Befriending Neighbouring Regimes

S D Muni

India's leadership has a clear stake in stabilising and consolidating the existing distribution of power, political patterns and strategies for socio-economic development in the South Asian region. Towards this goal, the Indian leadership is endeavouring to evolve a consensus, together with its counterparts in South Asia, on the issues of peace, security and stability that are vital to itself and also to the neighbouring regimes.

As a natural corollary, India's leadership is keen to strengthen such governments in South Asia which would be amenable to its perception of the subcontinent and willing to work towards the evolution of the desired consensus. The removal of minor irritants like the Kachchativu territorial dispute is part of the movement towards achieving this consensus.

THE recent boundary demarcation agreement between India and Sri Lanka is based on a notional median line drawn through the Palk Strait between the two countries. This median line now marks the boundary between them. It places the disputed Kachchativu island within Sri Lanka's bounds. Under the agreement, details about fishing, navigation and pilgrimage rights of the two sides have been worked out to their satisfaction. The two countries have also agreed to explore and divide whatever mineral wealth is available in the area. Thus India's immediate and long-term interests have been duly safeguarded. Further, the detailed provisions of the agreement will facilitate the finalisation and execution of a very important Indian project in the area — the Sethu Samudram Canal. This project will facilitate the transport by sea of goods between India's east and west coasts.

India's recognition of Sri Lanka's sovereignty over Kachchativu island constitutes the main point of public interest in the agreement. The dispute over the ownership of this island was one of the many unsettled issues handed over to India and Sri Lanka by the British. It was first in 1949 and then in early 1956 that the attention of the two governments was drawn to this unresolved issue. This was in the form of permission sought by India in 1949 and Sri Lanka in 1956 from each other to use the island for air exercises. Since then the issue has figured quite regularly at the various high level meetings between the two countries. In 1968-69 some newspaper reports saying "Ceylon takes over Kachchativu" sparked off serious public controversies in India and Sri Lanka. And in the absence of any settlement, this dispute continued to disturb relations between the two countries. It was in January this year that the basic understanding for settling the dispute was arrived at between the Prime Ministers of India and Sri Lanka when Sirimavo Bandaranaike paid an official visit to India. The present agreement is based upon that understanding.

The dispute had magnified the importance of Kachchativu which is, in fact, a barren, uninhabited, tiny rock-island. It is situated in the Palk Strait at a distance of 10 and 8 miles from the nearest points of India and Sri Lanka, respectively. Its importance lies in St Anthony's Church where pilgrims from both countries gather every year in March-April for a week-long religious festival. Fishermen from both sides also visit the island occasionally. No mineral wealth is so far known to be located on the island. But, of late, some hopes of oil being found in and around the island have been expressed.

The myth of Kachchativu's strategic importance in the Indian Ocean area was created and played up by the two sides during the period of intense public controversy. The island had been occasionally used by the British since the 1920s as a naval gunnery practice range, but nothing more. The island is hardly vital for that purpose as there are many other islands in the area which could be used by India with greater ease and advantage for gunnery practice.

The Kachhativu settlement, however, has much wider implications. Viewed in the broader South Asian context, the settlement reflects some degree of freshness and initiative in India's diplomacy towards its immediate neighbours. From Independence to the mid-1950s, India's leaders appeared to be fully preoccupied with the self-assumed task of preserving peace, order and stability in the world. India's immediate neighbours were taken almost for granted, perhaps with the exception of Pakistan. India's approach towards the small but vital bilateral issues concerning its neighbours was a sorry tale of indifference, self-righteousness and complacency. In the subsequent period, India's foreign policy was overshadowed by its confrontation with Pakistan and growing antagonism with China.

India's poliitcal and military humiliation at the hands of China in 1962 proved to be a blessing in disguise in several respects. For one, it corrected some of the imbalances in India's approach towards its neighbours, who then onwards received due attention and respect. The change in India's approach became evident in the case of Nepal with the withdrawal of moral support to the Nepali Congress and the recognition of King Mahendra's Panchayat System immediately after the outbreak of the armed conflict with China in 1962. In the case of Sri Lanka, the spirit of understanding and accommodation led to the conclusion of an agreement in October 1964 on the problem of stateless persons. Several other examples may be cited in support of this contention.

Notwithstanding this change, India remained rigid, stingy and irritatingly legalistic regarding its territorial disputes with its neighbours. It appears that the loss of territory to China had something to do with this aspect of India's behaviour. However, as a result of this behaviour, the disputes concerning the Susta area with Nepal and Kachchativu island with Sri Lanka were allowed to drift and become complicated. This gave rise to major public controversies on these minor territorial disputes which in turn vitiated the whole gamut of India's relations with these two neighbours. Some official circles in the neighbouring countries (in Nepal and Sri Lanka particularly) viewed India's rigid and legal stand as a conscious and calculated posture aimed at browbeating them in order to wrest other concessions as a price for settling these disputes. This may partly be true. But, by and large, this ap-



proach reflected India's lack of self-confidence and diplomatic maturity — partly an outcome of the 1962 debacle. On the other hand, India's neighbours, being conscious of India's loss of credibility as a stabilising force in South Asia after 1962 and its internal weaknesses, were also asserting themselves. It was not just a coincidence that the Susta and Kachchativu issues reached the peak of public controversy in 1968 and 1969, respectively, at a time when India's economy and politics were particularly chaotic.

India Regains Confidence

The emergence of Bangladesh in 1971 was a watermark in the history and politics of the subcontinent. Besides other things, this development helped India a great deal in regaining its lost prestige, self-confidence and diplomatic initiative. It also restored its credibility as a source of decisive influence in South Asia. The Indian leadership at present seems to be fully conscious of this. It has a clear stake in stabilising and consolidating the *existing* distribution of power, political patterns and strategies for socio-economic development in the region. Towards this goal, the Indian leadership is endeavouring to evolve a consensus, together with its counterparts in South Asia, on the issues of peace, security and stability that are vital to itself and also to the neighbouring regimes. As a natural corollary, India's leadership is keen to strengthen such governments in South Asia which would be amenable to its perception of the subcontinent and willing to work towards the evolution of the desired consensus.

India's denunciation of the concept of balance of power in the subcontinent; its emphasis on democracy, secularism and socialism in intra-subcontinental relations; its nuclear blast followed by its assertion that it will use nuclear energy only for peaceful purposes and its expression of willingness to share nuclear technology with its neighbours; its moral and material support to the present governments in Bangladesh, Sri Lanka, Nepal and even in Pakistan; its keen and close watch on the 'international ambitions' of Bhutan; its determined attempts to restructure political forces in Sikkim — all these are moves in the direction of trying to achieve the desired consensus in South Asia.

The removal of minor irritants, including territorial disputes, and the improvement of relations with its neighbours occupy a crucial place in the above mentioned larger frame of India's present diplomatic strategy in the subcontinent. The Indo-Sri Lanka agreement on boundary demarcation constitutes an important achievement in this context. This trend had already been set in May 1974 when India finalised the border pact with Bangladesh. It appears certain that India's gesture of accommodation and understanding reflected in its agreements with Sri Lanka and Bangladesh is already at work in relation to Nepal. It is reliably known that Indira Gandhi informally assured King Birendra during his visit to India last October that India was willing to concede that the Susta area belonged to Nepal. A formal agreement between the two countries to that effect may thus be in the offing.

Variance over Indian Ocean

With Sri Lanka, India needs a very close understanding on the questions of peace and security in the Indian Ocean — an area which is increasingly becoming a focus of tension and rivalry between the super powers. On this question, the views of India and Sri Lanka are at variance on two important points. First, Sri Lanka's declared objective is to see that the Indian Ocean becomes a "nuclear free peace zone". India on the other hand has talked only about a "peace zone" in the Indian Ocean. The difference over the nuclear aspect of the peace zone in the stands of India and Sri Lanka has become all the more significant since May 18, when India exploded its first nuclear device.

The second point relates to the presence of non-Indian Ocean powers in the Indian Ocean. Soon after Independence, India and Sri Lanka were neither capable nor willing to undertake the defence of the Indian Ocean on their own. Therefore, they agreed to a continued British presence which was considered 'friendly' by both India and Sri Lanka. There is much evidence in support of tacit but clear Indian connivance in the continuation of the British naval and air bases in Sri Lanka at that time.

Today also, India and Sri Lanka are incapable of guarding the Indian Ocean by themselves and will continue to remain so for a very long time. Therefore, they will have to depend upon some 'friendly power' to assert its influence in the region. However, unlike in the late 1940s, the two countries now differ on the power which should be considered friendly. Sri Lanka is quite averse to the Soviet presence which India, at least at the moment, does not consider unfriendly. Global and regional equations are of course always open to realignment but there would be serious implications for peace and security in the Indian Ocean if India and Sri Lanka were to work at cross-purposes.

Variations in the viewpoints of India and Sri Lanka on the Indian Ocean situation have to be sorted out mutually and amicably for the sake of the needed consensus on matters pertaining to the subcontinent. The recent Indo-Sri Lanka agreement which clearly defines the fishing and navigation rights of the two countries in the Palk Strait and the Gulf of Mannar is a concrete step in the direction of achieving a basic understanding between the two countries. The fact that while this agreement was being given its final touches Sri Lanka accepted India's stand of using its newly acquired nuclear capability only for peaceful purposes, needs to be underlined in this context. Not only this, Sri Lanka, in its capacity as chairman of a 15-member *ad hoc* UN Committee on the Indian Ocean, disallowed Pakistan on June 7 from using that forum to attack India over the nuclear blast. Further, since the announcement of the boundary agreement comes on the eve of Sirimavo Bandaranaike's visit to Pakistan, it is likely to thwart any possible Pakistani attempts to play upon India's alleged "highhandedness" and "hegemonistic tendencies" in its dealings with its smaller neighbours.

Boosting Sirimavo

In Sri Lanka's domestic context, the Kachchativu settlement may go a long way in boosting the sagging morale of the Bandaranaike government. The popularity and credibility of the government are under strong economic and political strain. Economically, like most of its South Asian neighbours, Sri Lanka is confronted with an unprecedented crisis. Inflation is reaching dangerous proportions. The prices of essential commodities are skyrocketing. The import bill is growing fast in contrast with declining export earnings from tea and rubber. The unemployment rate is increasing every day. Production on all fronts has fallen down. The gap between rich and poor is widening. The food situation till recently was precarious, though now there are signs of marginal improvement. The discontent resulting from these economic pressures has been so widespread and intense that the government had to take stringent measures and deploy troops to deal

with the threatened opposition-led civil disobedience movement on April 21.

Politically, the ruling united front of the Communist Party (CP), Lanka Sama Samaj Party (LSSP) and the Sri Lanka Freedom Party (SLFP) is in great disarray. Along with the dissensions in the united front, each one of its constituent parties is ridden with deep internal divisions. Even Sirimavo Bandaranaike's SLFP is heading towards an open 'left-right' division. The entry of Sirimavo Bandaranaike's daughter and son-in-law, Sunethra and Kumara Rupasinghe, into the thick of Sri Lanka's politics in 1972 initiated and activised such a division in the SLEP. They are alleged to have mobilised the 'left' and the 'young' within the party under their leadership. Furthermore, early this year, the opposition, led by the United National Party chief, J R Jayewardena, warned the nation through a calling attention motion in parliament, that a military coup was in the offing. He alleged that the aim of the coup was to demolish Sri Lanka's democratic structure and establish a dictatorship under Sirimavo Bandaranaike's nominal leadership. Indirect accusations were made about Sunethra and Kumara Rupasinghe being the authors of the coup plan. It is not without significance that some of the 'rightist' SLFP MPs quietly sympathised with the opposition's attack on the government in general and Sirimavo Bandaranaike in particular.

The acceptance of Sri Lanka's sovereignty over Kachchativu island by India after a dispute lasting nearly two decades will be seen in Sri Lanka as a significant achievement of Sirimavo Bandaranaike's foreign policy as she also holds the Defence and Foreign Affairs portfolios. Thus the agreement is being publicised in Sri Lanka as a personal triumph for Sirimavo Bandaranaike. This is being done to enhance both the credibility of the government in the country and the personal image of Sirimavo Bandaranaike among the factions of the ruling united front and the SLFP.

The agreement has also blunted the edges of anti-Indian propaganda indulged in by a section of chauvinist Sinhalese elements. As against these elements it has slightly strengthened the Federal Party and the Tamil Congress which are sympathetically disposed towards India. The Federal Party veteran, Chelvanayakam, was rather quick to underline this aspect in his recent statement on the agreement. Indira Gandhi and her associates in India would naturally have assessed all these implications of the agreement for Sri Lanka's domestic politics. The week-long relatively unpublicised visit of Sunethra and Kumara Rupasinghe to India and their extensive quiet talks with Indira Gandhi immediately after the conclusion of the agreement confirm that the agreement has already helped to cement relations further between the governments of Indira Gandhi and Sirimavo Bandaranaike.

FROM THE CHAIR

Tata Engineering and Locomotive Co Ltd

Statement of the Chairman, Mr S Moolgaokar

THE following is the Statement of Mr S Moolgaokar, Chairman, the Tata Engineering and Locomotive Company Limited, for 1973-74:

The financial year ending March 1974 was a year with an abundant share of problems for the Automobile Industry. In challenging conditions, your Company produced 780 vehicles more than in the previous year, maintained its profitability, and vigorously forged ahead with its expansion plans.

Operating Problems

2 The challenges arose out of a host of problems faced by the Company during the period under review. Most of these stemmed from weaknesses in the country's economic infrastructure. Every industry was confronted with shortages of power and materials, the impact of the oil crisis, transport dislocations, mounting inflation and the credit squeeze. Industries like ours, which obtain their inputs from various industries, had to bear the cumulative effect of all this.

3 Power shortage was a major problem which interfered with our production and disrupted the flow of materials from suppliers. Shortages of alloy, carbon and spring steels, tyres, wheel rims, clutch and brake parts, bimetal bearings, shock absorbers, pistons and many other items threatened to bring the assembly line to a standstill on more than one occasion.

4 Disruptions elsewhere in the world also affected our operations. For example, when the UK went on a three-day week, the availability of special rolled steel sections required by the indigenous wheel rim suppliers was so drastically reduced that we had to roll out almost half the production during the past four months with only four wheels per vehicle. Many of our ancillary suppliers faced stock-outs of imported materials and parts when the oil shortage adversely affected the availability of shipping facilities.

5 During the year, prices of all commodities soared, and we were forced to accept substantial price increases by most suppliers. The availability of working capital was restricted following the credit squeeze suddenly imposed by the banks, and this necessitated a major exercise in financial re-planning. To make matters worse, our own prices could not be increased to compensate for rising costs, and we had to work literally in a strait-jacket.

The Challenge

6 But problems constitute a challenge — to be overcome by action, not to be explained away. Considering the difficulties which the Company had to face in the past year, the performance was satisfactory. I would venture to say that this was made possible largely by our efforts at developing in Telco a team that never looks for excuses — a team capable of meeting every situation dynamically, a team at all times capable of directing its energy to solving problems. It is our belief that such a team is essential if an organisation is to grow within the constraints of a developing economy.

7 Your Management has confronted the challenge of growth in a developing economy by building up the Company's infrastructure, particularly in areas where facilities have been inadequate within the country. Through the Training Divisions set up at Jamshedpur and Poona, the Company has assured itself of an ever growing reservoir

of high-grade technical skills, so necessary for the manufacture of a quality product. Enormous efforts and large sums have been invested to achieve self-reliance in the design and manufacture of the Company's products. In the Automobile Industry, Telco is by for the biggest investor in research and development, and the expertise that we have now built up provides us with the capability to design sophisticated engineering products which is enabling us to undertake our current major expansion entirely on our own. Each year, our Research and Development Sections help us to make vehicles of better quality — vehicles that perform better, take longer to depreciate, and give our customers higher re-sale value. These qualitative improvements above all help us to sustain our position in the export markets. Today, we are the largest exporters of commercial vehicles in the country: during the year under review, we exported 86 per cent of the country's total vehicle exports.

8 In a major attempt at import substitution, we have painstakingly fostered the varied design skills required for the production of complicated press tools and special purpose machines. Progressively more and more of our requirements for sophisticated special purpose machines, intricate press tools, metal patterns, dies and fixtures will be met from within the Company. Early next year, we shall be introducing a new semi-forward truck model which we have already tooled up fully at Poona. This model will have a number of important advantages over our present model: a more durable engine and gear box, additional loading space, more comfort and better visibility for the driver.

Price Control

9 You will appreciate that it would not be possible for any company to direct its managerial and financial resources towards such pioneering activities unless its financial strength is sustained. Recent decisions of Government affecting pricing can have a direct bearing on the Company's performance and rate of growth, and I would like to dwell on this subject at some length.

10 In April 1973, government controlled our selling prices, and the Company had perforce to work under severe constraints throughout the past year. I have already mentioned how we were sandwiched between production interruptions due to power and other shortages on the hand and increasing costs due to soaring prices on the other. We furnished exhaustive facts and figures to government to justify a price increase, a decision on which was deferred pending completion of a detailed investigation into our cost structure. After a prolonged study by the Bureau of Industrial Costs and Prices and the Ministry of Heavy Industry lasting over a year, government came to the conclusion that our prices had been fair and reasonable, and that our request for a price increase was fully justified. While permitting a 7½ per cent increase in vehicle prices as from the 15th of May 1974, government stipulated, however, that future increases more than once a year or exceeding 7½ per cent of the existing price would require their prior approval. In an inflationary economy like ours, such controls can have disastrous effects and, naturally, we are disappointed that these constraints on pricing have been imposed.

11 Last year, the improvement in our profitability, despite the price control, was due to the increase in production and the reduction in interest charges brought about by better financial and materials management. While we are constantly striving towards higher productivity, it will not be possible for us to continue to absorb the inexorable cost increases taking place.

12 Our contention has consistently been that industry must have the freedom to determine its own prices. Freedom is not licence, and therefore we agreed to limit our return on capital employed through self-discipline. We also agreed that pricing could be based on 90 per cent plant utilisation — in itself an ambitious target in today's conditions, with shortages of power and raw materials aggravated by factors such as inadequate railway facilities and unrest in different parts of the country. Even without these handicaps, efficient foreign manufacturers find it difficult to operate their plants at this level! The guidelines for pricing suggested by us would have offered the vehicle manufacturers a worthwhile managerial challenge to secure maximum productivity, reduction in cost and some plough back of earnings for sustaining research activities and maintaining the health of ageing plant; at the same time, the customer would be assured of a fair deal. As manufacturers of commercial vehicles, we are at the end of a chain; it is finally our product that must bear the full impact of all preceding increases in the costs of raw materials and ancillary parts. When prices of all our inputs are increasing at a much higher rate, there can hardly be a case for imposition of an arbitrary limit of 7½ per cent on our annual price increases. There is no restriction whatsoever on the prices of goods we have to purchase from outside sources, whether they be raw materials from public sector steel plants or components from ancillary suppliers. Unless these factors, totally beyond our control, are checked at a national level, it is hardly fair to control the prices of our vehicles.

13 The ravages of inflation provide joy to none of us and we all yearn for the time when greater stability will be introduced in our economy. No price increase that we make can benefit us under today's conditions; we are not even recovering fully the cost increases over which we can have no control whatsoever. As an example, since April 1973, the price of our representative model has gone up by Rs 10,958. Out of this, Rs 4,299 covers increases in the cost of raw materials and ancillary components, Rs 1,894 covers increase in the price of tyres (since the decontrol of tyres, the price increase on this account alone has been as high as 40 per cent), Rs 3,548 is accounted for by increase in excise duty, and Rs 1,217 represents increase in sales tax. Telco did not benefit by a single rupee; on the contrary, we are left with the problem of absorbing labour and other cost increases which confront us continuously.

14 The rapid growth of the Automobile Division of the Company, despite the poor industrial and ancillary base that existed at the time of its inception twenty years ago, has benefited not only the Company but the country as a whole. It has led to the development of a network of ancillaries, substantial direct and indirect employment, large contributions to the Exchequer and export earnings of a high order. Above all, it has helped to meet the acute need in our country for quality commercial vehicles. I do feel that the fairest treatment to accord to this important and complex industry is to adopt the guideline that there should be a fair and equitable return on capital employed, linked to high capacity utilisation. Our record on price discipline surely merits this limited freedom of action. It is essential that the stipulation that our price increases cannot be made more than once a year and cannot exceed 7½ per cent, without government's prior approval, be removed. Otherwise, our profitability is bound to decline as costs are escalating at

far greater rates. Government have been quite pragmatic while dealing with our industry in the past; this has helped the industry to progress and grow. In view of the vital role the industry plays in national development, I am hopeful that government will reconsider their decision in this important matter.

Plan Targets

15 The importance of our industry has been appreciated by the Draft Fifth Five Year Plan which views the rapid development of road transport as an essential component of the "Minimum Needs Programme" to be implemented during the Plan Period. The schemes of development of the backward and under-developed regions, and indeed of increased agricultural production, can have no meaning till road transport is developed as an infrastructural facility. We welcome the proposal that allocations to road transport, in money terms, will be 2½ times higher than in the Fourth Plan.

16 The Plan also visualises that the annual production by 1978-79 will be 110,000 commercial vehicles — the industry is expected to more than double its present output. However, with ad hoc decisions such as the 7½ per cent per annum constraint on pricing in a hyper-inflationary situation, there is no hope of this target being achieved. Such arbitrary decisions, by depriving the industry of the minimum resources it needs, will impair its ability to grow even marginally, let alone reach the target of 110,000. The resultant loss to the nation will be staggering, while the cost of accepting the industry's plea for freedom with self-discipline through a ceiling on the return on capital employed is negligible. Unless government stop taking decisions contradictory to the long-term goals sought to be reached, national planning will only be an empty exercise.

Expansion

17 Our own major expansion, which is a source of excitement to all of us, is proceeding according to schedule. The new fully automated foundry at Poona is expected to be ready early next year. Construction work at our Poona Complex is in full swing and a major portion of our requirements of indigenous and imported machine tools have been ordered. Precautions have been taken to ensure adequate capacity for the production of spare parts which at the moment are in extremely short supply. Prototypes of the various aggregates and the new vehicles to be produced at Poona will be ready for evaluation trials early next year.

18 You will be anxious to know whether the oil shortage is likely to affect the demand for our products and whether it has any implications on our expansion. Our own projections clearly reveal that increasing dependence on road transport for the movement of goods and passenger traffic is inescapable in our country. It needs to be more widely known that even when our Railways are functioning normally, over 40 per cent of the goods traffic and over 50 per cent of the passenger traffic moves by road. Trucks are essential for the economic growth of our country, and for Defence. Government have therefore ensured maximum production of middle distillates like high speed diesel required in the operation of commercial vehicles and the price of diesel has been kept as low as possible. The demand for our vehicles continues unabated and there are waiting-lists of thousands of customers. The ever increasing demand for our vehicles can only be met by completing our expansion programme as rapidly as possible and at the same time maintaining our existing capacity in good health.

Energy Crisis

19 As commercial vehicles account for about 75 per cent of the consumption of high speed diesel in the country, your Company has always considered it a duty, as a corporate citizen, to ensure optimum utilisation of this scarce and valuable commodity. As you know, a direct injection engine which provides upto 15 per cent reduction in fuel consumption was introduced on our vehicles about two years ago. There are now on the road 40,000 Tata vehicles powered by this engine and more are being added every month. We estimate that these 40,000 vehicles have brought about lower diesel consumption of the order of 100,000 kilolitres each year. Intensive efforts continue at our Engineering Research Centre to improve further the fuel consumption of this engine.

20 In view of the oil crisis, a campaign was launched in April 1974 to provide free service check-ups to Tata vehicles all over the country. Apart from checking all defects, tuning the engine and even arranging with MICO, our suppliers, to re-calibrate the fuel injection equipment, if necessary, we manifested to each operator how adherence to the stipulated maintenance instructions and correct driving ensures 5 per cent fuel savings and longer vehicle life. As our customers' response has been most satisfying, we intend to repeat the campaign periodically.

The Future

21 Despite all the vicissitudes of the past year and gloomy projections made by many for the future, we are determined to maintain our progress, to implement our expansion in good time, and to continue to find avenues of growth. Given the limited freedom of action for which I have pleaded earlier, and with some improvement in the country's infrastructure, our contribution to the nation could be much greater. Your Company has a well-defined growth plan and a strong organisation capable of implementing it aggressively.

22 Whilst 1973-74 was a difficult year, the dedicated work of our loyal employees, the co-operation of our dealers, the understanding of our suppliers, and the confidence of our customers as well as shareholders were continuing sources of inspiration to Management. It is a very real pleasure for me to take this annual opportunity of saying *Thank You* to all those who with their ideas, energy and hard work have overcome difficulties and obstacles to contribute to the year's results.

Chairman

Bombay, 28th June 1974.

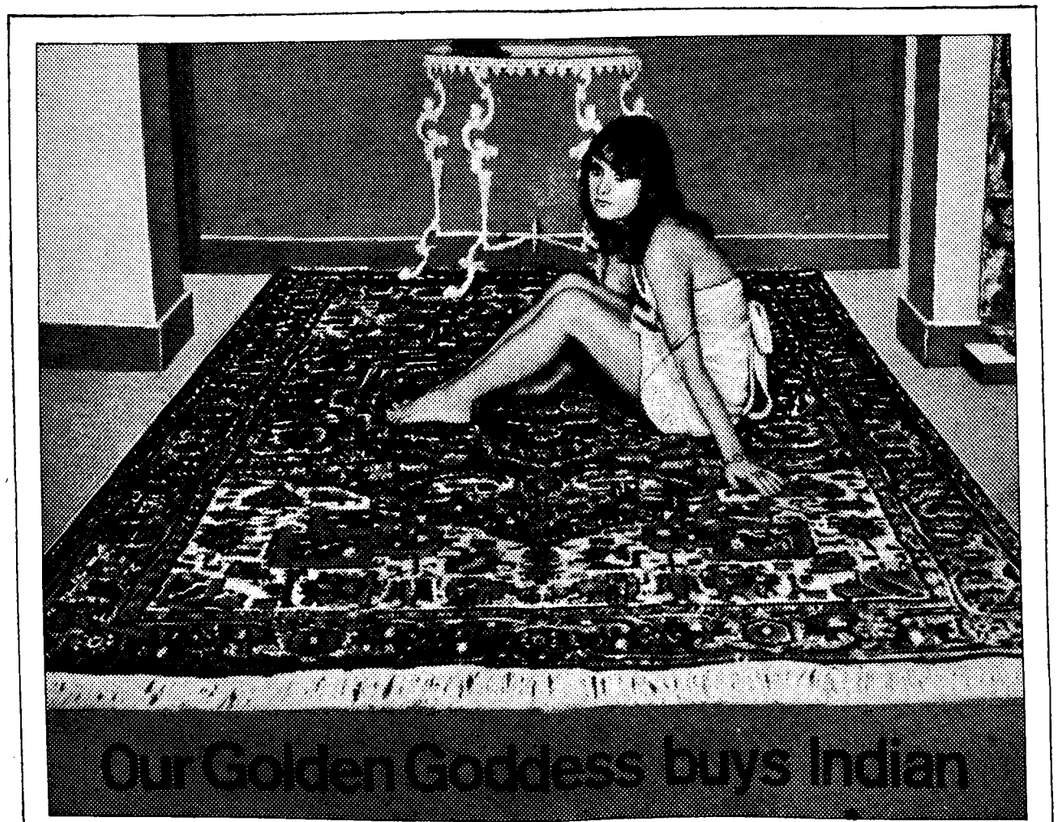
Note : This does not purport to be a record of the proceedings of the annual general meeting.

Anglo French Textiles

ANGLO FRENCH Textiles has undertaken a programme of installation of additional 12,400 spindles and 72 heavy duty looms at a cost of about Rs 401 lakhs. Construction of the new factory buildings is in progress and about 6,000 spindles are expected to go into production before the end of 1974. Apart from this programme, the company also intends to take up replacement of a sizeable part of the old machinery. Bearing in mind the need for cash resources for programmes of expansion and rehabilitation, the board has recommended only maintenance of a 15 per cent distribution, although the 1973 results were the best achieved so far in the company's entire career with higher production, sales and profitability. Commenting on the current year's prospects, T S Krishna, chairman, points out that cost of manufacture has gone up owing to unrelenting inflation. Moreover, labour relations have deteriorated since the beginning of the new year owing to 'inter-union rivalry'.



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CYPRUS: TOWARDS DIVISION?



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Method in Its Madness

THE Planning Commission wants no part of the onus for creating a 'revolutionary situation'. The country's economic prospects being what they are, children sent to school would, at the end of their schooling, find no jobs; as a consequence, they might be up to all kinds of mischief, including, for all one can surmise, the creation of 'revolutionary situations'. The Commission as a responsible body, must put its foot down against schemes and proposals which have such dangerous possibilities. It is not given to it to plan and implement the generation of additional employment opportunities; it can, however, certainly recommend drastic reduction in the financial outlay for school-level education, so that the problem of the unemployed educated turning revolutionaries can be nipped in the bud.

The Planning Commission has applied itself to this task with great zest. The Approach to the Fifth Plan had talked of 75 per cent enrolment in the age-group of 11 to 14 during the Plan. The draft Plan pruned this target to 47 per cent. But as awareness about the functional relationship between education with no jobs at the end of it and germination of revolutionary situations has further sunk in, the target has been even more severely slashed: in the age-group of 11-14, only 31 per cent, it has now been decided, need be enrolled in schools during the Fifth Plan — in case there is to be such a thing. This need not be the end of the narration: wait for the subsequent bulletins and it is possible that some more cuts are in the offing.

The story is repeated in regard to primary education. The Approach paper had set a breathtaking target of 100 per cent enrolment in the age-group of 6 to 11. The Draft Plan scaled it down to 97 per cent. The target has now been further reduced to 90 per cent. Going by the drift of things, very soon one might expect a tacit admission that no expansion of primary education beyond what obtains at present is feasible in the Fifth Plan!

Even as it is, official claims about the realisation of targets under the various educational programmes are marked by wide exaggerations. The statement that enrolment in primary schools is currently about 82 per cent of all children in the age-group of 6 to 11 may be quoted as an example. It is rarely ever mentioned that the percentage cited is a gross figure, that it does not take into account the dropouts — which, in many regions, are as much as 50 per cent or more —, and that it is often subject to manipulation by parties and agencies interested in exercising control over disbursements of official funds earmarked for elementary education. A relatively high target might still convey the government's keenness to intensify its educational efforts. Viewed in this light, the hasty scaling down of targets for enrolment in primary and secondary schools can only signify the lukewarmness of official attitudes towards large-scale basic education among the masses.

At the same time, the educational plans for the elite have been left undisturbed. Despite 'financial exigencies', the Planning Commission has left the target of enrolment at the college and professional levels at what it was in the draft Plan. Universities and colleges are excellent pork barrels for politicians; these, therefore, will be permitted to be opened galore. The children of the privileged demand sophisticated education. What they demand they will get during the Fifth Plan — may be a few more institutes of management, a few more courses on public relations, and such like. In the draft Plan, Rs 500 crores have been allocated for university and technical education. Reportedly, not one crore out of this is proposed to be cut. What will be guillotined is the allocation of Rs 743 crores for primary education, the allocation of Rs 113 crores for the ancillary programme of school feeding, and the allocation of Rs 241 crores for secondary education.

A residual issue remains. Perhaps there is a method in this Planning Commission madness. The children of the poor millions, once they attain maturity, are in any event bound to discover that, with the country's social and economic progress at a dead halt, the prospect of joblessness and meagre earnings continues to stare them in the face. They might begin to think on their own, read on their own, and appreciate the relevance of class analysis for explaining the nature of the crisis confronting the nation. This must seem a most perilous thing, affecting the stability of the system, to those handful who receive the special bounties of it. On the other hand, if the overwhelming majority of the children of the nation's poor are denied all education, while they would still remain discontented, it could be easier to channel their discontent along 'desirable' lines: the wrath of the uneducated unemployed, for instance, could be mobilised not against the system and those few who enormously profit from it, but against the organised working

class. The Planning Commission, one almost begins to suspect, knows what is what; it has a charter to create *lumpen* elements in society, and it is going about the job with considerable gusto and acumen.

Cyprus

Towards Division ?

NIXON is bound to use one of his choice expletives when he hears of Turkish paratroopers tumbling out of the skies over Nicosia and Turkish marines storming ashore at Kyrenia. Brezhnev and his cohorts are likely to receive the news with quiet joy. This is the first time since the formation of NATO in March 1949 that the soldiers of NATO partners are fighting each other. The entire south-eastern flank of NATO has been disrupted and Washington's recently built-up prestige in West Asia, especially in Syria, is likely to be somewhat diminished on seeing that the Americans are unable to prevent a key Atlantic Treaty partner from taking unilateral action against the expansionist activities of another.

Clearly, this time, the US State Department has muffed it. Even while Joseph Sisco, the US Under-Secretary of State, was trying to pacify the Turkish Prime Minister, Bulent Ecevit, Turkish warships were approaching Cyprus. Ecevit had asked for firm assurances from the United States for the withdrawal from Cyprus of the Greek officers who had led last Monday's bloody coup against Makarios, for the protection of the Turkish minority in Cyprus and for the restoration of the Makarios government. The Americans baulked at giving these assurances, particularly that of restoring Makarios to power. They had been quite happy to see him overthrown as he was the only 'non-aligned' leader in that particular area. They seem to have overestimated their influence in Turkey and misjudged the susceptibilities of the relatively new civilian government in Ankara which could not afford to be seen acquiescing weakly in the *de-facto* takeover of Cyprus by the Greek military regime. Any show of weakness on its part would not only have angered its civilian supporters but also provided an excuse for the Turkish armed forces to interfere once again in the running of the country. Not that there had been no warning signs for the Americans. On July 1, the Turkish government lifted its American-backed ban on the cultivation of the opium poppy which had been the main source of illegal heroin for the US narcotics market. The ban was lifted, despite strong American protests, to placate the large rural electorate of eastern Turkey which was losing sizeable cash inflows due to the ban. And despite last month's Greek protest the Turkish government had gone ahead in exploring prospective oil-bearing sites on the disputed continental shelf of the Aegean Sea.

It was most impolitic of the State Department to have made Sisco concentrate on Ankara rather than on Athens where General Phaedon Gizikis and his junta are very dependent on direct US monetary assistance and on diplomatic backing in the councils of NATO where Washington has for some time been the junta's sole supporter. The regime is also totally unpopular within Greece and retains power only through physical coercion. Such a regime cannot allow itself to retreat on the battlefield. It is therefore most likely to hit back at the Turks at the narrow land frontier on the European side of the Bosphorus Strait since it can do little to counter the full-scale Turkish invasion of Cyprus which is only 50 miles from Turkish coast but 500 miles from the Greek mainland. The Greek forces could initially gain some ground in European Turkey but even a few days prolongation of the fighting would lead to serious military reverses for them. The Turkish forces are about four times the size of the Greek forces and better trained. The equipment of both sides is generally the same — supplied by the Americans. But before there are further military developments, the Americans will now — belatedly — be doing their best to arrange a cease-fire or failing that, will try to confine the fighting to Cyprus. If there is a cease-fire fairly soon it will probably lead to the partition of Cyprus between the Greeks and the Turks which is what Ankara had wanted years ago and would be quite happy with even today. In this new situation Makarios will have little standing because even if he returns to Cyprus he will be regarded as a Turkish stooge whatever the origins of this ouster may have been. The only certainty is that the Greek military regime has dug its own grave by precipitating events which it cannot possibly control.

Meanwhile, America's Europen allies will be exerting strong pressures on Washington to dilute its support for the regime in Athens. But whatever the effect of these pressures on Washington, there is going to be another flaming row between the Americans and its major European allies on the former's mishandling of the Turks and the Greeks. The bickering within NATO during and after last year's October War had estranged relations across the Atlantic. This time the estrangement might be much more serious. In these circumstances the Russians need do nothing more than chuckle to themselves and make some deliberately pointless noises in the Security Council.

West Bengal

Sick Politics, Sick Justice

THERE is an apocrypha concerning the tabulator for a Calcutta University examination. The tabulator's nephew was a candidate at the examination. According to the University's rules, a candidate may sit at a supplementary — 'compartmental' — examination, if he or she fails in two subjects while obtaining pass marks on the whole. The nephew did not secure the minimum pass marks; the tabulator took care of *that* detail. A further problem arose however: the nephew must be shown to have failed in not more than *two* subjects, whereas he had actually failed in three — mathematics, history, and geography. The tabulator, confronted by the challenge rose to the occasion. His bright nephew, the tabulator surmised, would never be able to pass in mathematics. The thing to do, therefore, was to ensure that he sat for the 'compartmental' examination in only history and geography, and so to manipulate the tabulations that he could be shown to have already passed in mathematics. This was done, after due consultations with the nephew.

A surreal story? But the goings-on in West Bengal over the constitution of Justice Wanchoo's Commission for enquiring into the alleged corruption indulged in by ministers suggest an almost parallel script. Out of the 130 complaints against the ministers originally submitted to him, the learned justice, after some sifting, recommended that 10 deserved to be probed more thoroughly. At this stage, the West Bengal Cabinet got into the act. The Cabinet — or at least some of the Cabinet members — decided that five out of these 10 allegations lodged against important ministers were altogether frivolous, and must not be taken up by the Wanchoo Commission. The Chief Minister has concurred, and the Commission's terms of reference have been modulated accordingly. A unique innovation has thus been introduced in the field of jurisprudence. The accused on their own have determined whether any *prima facie* case exists against them: they have decided that no such

case exists and have vetoed the recommendations of the former Chief Justice of the country who has thus been instructed to enquire into only the residual allegations against the residual ministers. Since the latter wield little political clout, the leaders of the various factions of the state Congress are no longer unduly perturbed. If, for brightening up the 'image' of the party, some ministers have to be found to be corrupt, or at least have to stand investigation, let the relatively unimportant be offered as sacrificial goats. The big ones must, of course, go scot-free; the judge must not dare investigate their conduct, howsoever serious the allegations.

That such low-order comedy can be staged for days on end without raising widespread ire, underscores the malaise in the country's polity. I-the-accused, I-the-jury, I-the-judge, is the general theme. Prices soar, economic administration deteriorates every day, corruption and thuggery proliferate. No sense of outrage rents the air. The masses are in general tired and listless. The opposition parties are in disarray. Ministers operate in the manner of the liberal leaders of the 1920s, *via* asinine statements to the Press and closed-door parleys in upstairs rooms.

In this climate, ministers who are literally in the dock can find it possible to decide what charges are to be even permitted against them and what charges are to be thrown out. Amorality has coalesced with a certain lack of shame and politicians stop at nothing. But what about the former Chief Justice of India? Must he put up with this charade? Justice Wanchoo had recommended that 10 specific allegations should be investigated by his Commission. He has been overruled by the very ministers whom he is supposed to investigate. A judge, with the much vaunted regard for the sanctity of the judicial processes, should have refused to be party to any of this. Justice Wanchoo has not done so.

Food Supplies

A Ruse, Not a Policy

A Correspondent writes :

AS kharif sowings gradually get into swing, the predictable pressures are once more on for raising the support prices for these crops. A particular technique would seem to have been refined over the past few years by the pressure groups involved. On the eve of the kharif sowings they hustle government into raising the support prices. Since such support prices are at the time of sowings of little practical significance, the substantive effect is simply to create a psychological climate for higher and higher prices. This climate is useful as the crop ripens and is ready for harvesting. A searing campaign is then launched, ponderously pointing out that support prices, howsoever high, are of no help for procurement operations: what is relevant is the level of procurement prices, which must approximate to the level of market prices if one wants government purchases to be of a satisfactory order. Though, initially, the rise in support prices is demanded on the implicit ground that these are crucial for production and procurement, as the marketing season approaches, it is the procurement price which is claimed to be the determinant of procurement.

By now, this cycle of repetitive demands for higher support and procurement prices has been stripped of nearly all its economic content. It has been reduced to a process of blackmailing, and one in which the pressure groups discover in the government a complaisant respondent — so much so that even the facade of maintaining a national system of procurement and support-cum-procurement prices has been discarded. Autarkic trends have come to the fore; how much of which grain will be procured and at what level of price is being increasingly left to the whims of the politically influential in each state.

A reversal of the trend could be attempted this year by abandoning the ritual of fixing support prices for the kharif cereals. This act has no direct significance since farmers, traders and consumers know that the prices at which the government would purchase grains would be considerably higher than the support prices that might be fixed. By not fixing support prices at this time of the season, the government would be avoiding the induction of further inflationary forces into the economy.

In fact, in the absence of any coordinated national economic policy, one might even question the efficacy of fixation of prices — whether support or procurement — by the Union Government. At the centralised congregations usually convened by the Union Ministry of Agriculture to settle these prices, the state governments gang up with one another to press successfully for interminable price increases. Thus if the system of national price-fixation is formally given up, the opportunity to apply collective pressure on the Union Government would also diminish. Instead, once the harvesting season arrives, New Delhi could negotiate, on a bilateral basis, procurement prices with the representatives of individual state governments. The important states for purposes of exports of kharif cereals to other states are Punjab, Haryana, and Andhra Pradesh. The other states are by and large deficit in kharif cereals. They are by now fully aware of the precarious position that the Union Government is in for organising the supply of foodgrains as well as the subsidies required in the distribution of the procured grains. The absence of a centralised system might force a number of the deficit states to take on more direct responsibilities: many of the deficit states are, after all, major producers of kharif cereals; they have, within their respective territories, sizeable surplus pockets from where substantial procurement should be possible.

What is being proposed here is not a purposive dismantling of a national policy; such dismantling has already been effected by the Union Government itself. But since pretence of a policy does more harm than good, it may be better to give the policy an open burial. In the present political climate, negotiations for the fixation of prices and procurement targets on a bilateral basis would perhaps be somewhat more effective in keeping prices in order.

Asian Development Bank

Borrowed Sensitivities

JUDGED by the scale of its lending operations, the performance of the Asian Development Bank (ADB) in the last six years, and particularly in the last year, may be considered satisfactory. Loans sanctioned increased from $ 42 mn in 1968 to $ 316 mn in 1972 and to 421 mn in 1973. Special Funds Loans, which are extended on highly concessional terms, increased from $ 22 mn (over one-fifth of all loans) in 1969 to $ 118 mn (over one-fourth of all loans) in 1973. Loans sanctioned by the ADB rose by 33 per cent in 1973 compared to an increase of about 24 per cent in 1972. Loans were made to 16 countries in 1973, with Bangladesh, Burma and Tonga receiving their first loans. By the end of 1973 the ADB had made 171 loans totalling $ 1,376 mn for 150 projects. This may be considered a good record for an institution which started operations less than

seven years ago.

But in assessing the performance of an international development finance institution, financial statistics alone cannot be the guide. The ADB started with some laudable objectives, among them rendering assistance particularly to the less developed and smaller countries of the region. ADB's annual report for 1969 stated that the ADB "will not be guided by an *a priori* emphasis on one or the other sectors of economic activity but by considerations relevant to a rational choice between different investment opportunities". However, during the last six years ADB appears to have developed its own preferences, influenced by traditional development banking concepts.

Most of ADB's funds have been channelled into what may be termed heavy development areas — nearly three-fourths into industry, electric power, transportation and communications. Most of ADB's lending to agriculture has been for mechanisation or irrigation dams. ADB is, surprisingly, rather less concerned than the American-dominated World Bank with the indirect social effects of its lending in these areas. During 1968-72 electric power absorbed 29 per cent of ADB's lending, but the figure came down to 22 per cent in 1973. The share of industry, however, rose from 24.7 per cent during 1968-72 to 25.3 per cent in 1973 and that of transport and communications from 21 per cent during 1968-72 to 30 per cent in 1973. The proportion of ADB's funds channelled to the three sectors, *viz*, power, industry and transport and communications, was higher in 1973 at 77 per cent than during 1968-72 when it was 75 per cent. This seems to reflect a tendency to view economic development purely in terms of formation of physical capital goods, to the neglect of a more overall view of the development process.

The geographical distribution of loans also reflects the conservative approach of the ADB. Over three-fifths of all loans upto the end of 1972 went to the six strongest developing countries of the region, *viz*, Taiwan, Hong Kong, Korea, Singapore, Thailand and Malaysia. This is in sharp contrast to the ADB's charter which states that the ADB would give "special regard to the needs of the smaller and less developed member countries in the region". The ADB, however, tried to correct these trends in 1973 by giving relatively fewer loans to some of these countries. Taiwan and Hong Kong did not receive any loans in 1973 while the share of South Korea was brought down from 21 per cent during 1968-72 to 11 per cent in 1973 and that of Singapore from 9.9 per cent to 2.4 per cent. Malaysia and Thailand however continued to receive favourable treatment in 1973, Malaysia's share in ADB's loans going up from 8.7 per cent during 1968-72 to 13.3 per cent in 1973 and that of Thailand from 7.9 per cent to 11 per cent. Of the cumulative total of ADB's loans upto the end of 1973, these six favoured countries received 53.4 per cent. The South Asian region, comprising Afghanistan, Bangladesh, Pakistan and Sri Lanka, has received relatively less attention from the ADB than it deserves. It has been suggested that the disproportionate attention paid by the ADB to South-East Asia is indicative of the ADB's sensitiveness to the priorities of its two largest developed country members, Japan and the United States.

The President

Convergence of Power

FAKHRUDDIN Ali Ahmed had been Finance Minister of Assam for a number of years, and was continuously involved in the political goings-on in that state. His roots are, however, anywhere but in Assam. To palm him off as the first President to be elected from the eastern region is much too transparent a subterfuge. The eastern region is not so deficient in manpower — not even in manpower of the supernumerary class — as would call for the requisitioning of such a marginal personality as Fakhruddin Ali Ahmed.

The reasons for his choice must be different, and of an altogether bread-and-butter variety. Ahmed has been and is expected to remain, completely loyal to the Prime Minister. In fact, whatever little is known of his attitudes and demeanour, underscores that he would be incapable of organising any initiative of his own on any matter. Considered in this light, his assumption of the office of the President of this Republic will represent a watershed.

It is not, of course, to be held against him that he is a colourless person. But it is to be held against those who, despite knowing that he is colourless and without an independent base of his own, have decided to make him President. For this, he will remain for ever beholden to the Prime Minister. True, Giri too owed his election to the Prime Minister, but, as the episode during the recent railwaymen's strike indicated, he had on occasions the inner strength to cut athwart that particular bond of inhibition. Delving through the record of Fakhruddin Ali Ahmed's long political career, one is unable to discover even the hint of a suggestion that he would dare to strike out on his own. He promises to be a commonplace President all through.

The choice must have been purposive. The Prime Minister must have made up her mind to rub out, once and for all, notions of the existence of dual centres of power within the Government of India. The trend in the country in recent years has been increasingly towards transforming a British-type of parliamentary democracy to a US-kind of presidential democracy, with a gradual convergence of power, however, not in Rashtrapati Bhavan, but in the Prime Minister's secretariat. Fakhruddin Ali Ahmed's elevation as President will help hasten this process.

LETTER TO EDITOR

Rape and Order

WHILE any conscientious person would denounce and condemn unprovoked atrocities if committed by our security forces or police in any part of the country under the cover of maintaining law and order (April 20, 1974, p 614), how much credence should one give to a report on Nagas prepared by a London-based agency and quoted by you, that describes the army in Nagaland as "the Indian Army of Occupation", refers to the jawans as "Indians" (as if the Nagas are not Indians) and to an army post as an "occupation post"! Doesn't the report smack of a hate-India campaign undertaken by certain groups, perhaps with ulterior motives? These elements depict India as a barbarian country perpetrating genocide against an ethnic and religious minority. A pro-Phizo group seems to be active once again in London!

While you have shed tears over the alleged atrocities in Nagaland by the security forces, will you kindly spare one or two tears for those thousands of jawans and administrative officers who have been killed, not by peaceful demonstrators fighting against rising prices or injustices in Nagaland, but by a minority of armed underground Nagas who have risen against India and its unity? In this encounter, if a few of these traitors and their relatives are punished, is it worthwhile to uphold their cause?

RAJANIKANT

Bombay

Calcutta Diary

A M

A TALE of two years. Crop-wise, 1967 was a thoroughly bad year, but the rate of price increase was only half of what it has been in the current year. In 1967, the production of foodgrains in the country was at least 30 million tonnes lower, but procurement was more than twice what it will be this year. In 1967, 14 million tonnes of foodgrains were supplied through the public distribution system, but in 1974, it will be a surprise if even 6 million tonnes get distributed. In 1967, traders and big farmers were still somewhat in awe of the government, but now in 1974, they control it and ordain its policies.

Since it is the traders and big farmers who ordain official policies, the officially organised onslaught against the working class continues. The alibi, of course, is the control of inflation. The central aim in the control of inflation should be the rolling back of prices. But the government will not, dare not, take one direct measure to restrain prices. How could it, for has it not, in the course of the past few months, on its own, raised prices across-the-board for all foodgrains, textiles, coal, steel, cement, paper, kerosene, milk and milk products, vegetable oils, and name whatever other commodity you want to name? Has it not also stripped to the bare bones the public distribution system, thus ensuring that food prices in the market soar and soar?

It now steps in and hands down the further ukase: lower income-groups in the organised sector must draw Rs 450 crores less in wages and allowances in the current year. The bulk of these earnings, which are being frozen, would have been spent on food. Once wage-earners spend less on food, inflation will be over — so seems to be the prescription. Nothing is wrong with the proposition that, if prices of foodgrains could be restrained other prices too would begin to behave. But will a denial of their wages to the workers help lower food prices? What about phenomena on the supply side? Food prices stay high mainly because farmers and traders have ample means to hold back stocks from the market. These means have been created by the government through its budgetary operations (for example, the various so-called crash programmes for agricultural development), through its permissive attitude toward procurement prices, and through its credit and monetary policies whose first preamble is that traders could do no wrong. While high-falutin ordinances are issued, there is hardly any declaration on whether the liberal flow of funds to the farmers and traders is to be cut back. On the other hand, the Rs 450 crores now to be frozen for the salary and wage earners might well be additionally available — in the name of emergency production programmes — to the government's particular friends. And yet, the more you spend on schemes for raising production, the less of output and market availability there is likely to be. This is not a conundrum, but sound economic law, confirmed by what has happened in the country over the past few years: Because restrictive output maximises the profits of surplus farmers and traders, the money pumped out by the government has been used, not to raise output, but to improve the organisational underpinning for speculative operations.

Those who go hungry are fairly desperate people. They are also incapable of grasping the unique dialectics of a set of official measures which, at one end, raises food prices, and, at the other, confiscates from them purchasing power with which food could be bought. They will try hard to obtain the food anyhow. They will sell off their wares, they will hock their property, they will dispose of the family trinkets, they will dismantle whatever assets they possess, for they must have food. Since the authorities have abdicated the responsibility to supply food through the public distribution system, they will buy the food from the market and at stiff prices. Thus, if the inflationary impulse in the economy had originated in the foodgrains sector, it will continue to be there — the pretensions of the ordinances notwithstanding. The latter will merely have denuded the poorer sections of the community of some more of their meagre resources.

Come, come, it might be said, this government could not be as blatantly class-biased as is being made out, has it not frozen dividends too to the extent of around Rs 50 crores? granted; but should one not also note how justice is scaled? Rs 450 crores to be lifted from the pockets of the relatively poor, only Rs 50 crores from the pockets of the affluent. There is, besides, that other asymmetry: while the amount drawn away from the wage-earners will not immediately find its way back to the market, the dividends held back will still be spent, and *in the current period* — ostensibly these are supposed to be ploughed back for 'productive' purposes. The big fellows might, in fact, welcome the arrangement: to the extent dividends are reduced, at the tax-brackets to which they belong, the burden of the wealth and income taxes will be substantially less. Moreover, some funds — which would otherwise have gone out to shareholders in the middle income groups — will now be available to the companies to be spent in whatever manner they think best. Your guess is as good as mine, much of these funds could be spent, directly or otherwise, to stash away extra raw materials and foodgrains, and thus raise their prices even further. The government may dole out assurances that this will not be allowed to happen: such assurances go the way of all flesh. Additional liquidity is additional liquidity, and it will continue to be spent on speculation and not on production so long as speculation gives a higher rate of return.

In this particular matter, the authorities have really wrapped themselves up in knots. In case these Rs 50 crores worth of dividends were distributed, they would get expended on consumption and not serve any productive purpose. It is the same government which, barely four months ago, decided to present the affluent citizenry with Rs 60 crores of extra money in the name of relief from income-tax; for this the argument had been that the sum made available to the rich would be used for productive investment. It obviously depends on the time of the day what the comfortably placed do with their money.

It is necessary, the wise ones say, to shed *a priori* prejudices: whether the government means well or is merely going through the motions of doing something should be judged in terms of its acts. So here it goes. Considering the economy as a whole, Rs 450 crores denied to the wage-earners is not such a large sum. Simply by raising foodgrain prices by 5 paise per kilo across-the-board, farmers and traders create additional income for themselves of Rs 450 crores or more. In the course of the past 12 months, they, with the co-operation and connivance of the government have added to their income — and taken away from the consumers, the vast majority of whom are indescribably poor — at least Rs 4,000 crores. Those in authority could have resisted, if they had so wanted, this transfer of purchasing

power from the poor to the rich by coming down hard on the price-fixers. Instead, they have come down hard on only those who have been forced to buy at the high prices, not on those who have been charging these prices!

If the very poor are denied the minimum command over purchasing power, some of them will die; this inflation will not be stopped thereby. In 1943, roughly three million died in Bengal, but the spiralling of prices was not checked. The authorities might keep freezing the income of the poor, but inflation would continue to march inexorably forward — for, the poor did not create it in the first place. It is by now altogether impossible, however, to put this simple truth across to the decision-makers in New Delhi. Once an administration loses its bearings, and is obsessed by narrow class interests, a certain frenzy seizes it. Perhaps it needs an Alfred Hitchcock, no less, to depict the pathological state the government has induced itself into; its economic policy has come to feature the same combination of lurid murder and black humour which is the staple of the Hitchcock creations.

As specimens of black humour, every now and then hints are planted across newspaper columns about the drastic steps soon to be taken to ration credit and otherwise to discipline the propensities of the predatory rich. But some tomorrows never come, and some philippics are never delivered. Even when they are — as in Bangalore last week —, everybody knows that they are for the birds.

CAPITAL VIEW

No Escape from the Economic Tangle

Romesh Thapar

IT is unfortunate that, in order to curb speculative activities, fundamental economic adjustments have to be evolved, in secret, by cabals of bureaucrats. True, the secrecy is often penetrated; but that doesn't change the logic behind the secrecy. Even repeated errors, which could have been corrected through wider consultation, fail to change the frightening style.

Some such thoughts are passing through the economic ministries of the Government of India as they tinker with the criticism of the recent Ordinances and prepare for further anti-inflationary measures. The bureaucracy, no matter how extensive its specialisation, backed by a sprinkling of newly-imported experts, cannot ever provide the experienced touch of those who work at ground level in the complex productive and distributive system. Hence the wobbling whenever economic decisions are taken.

The wobbling is caused by the intense activity of lobbies hoping to move tens of crores into their coffers. The wobbling is caused by genuine mistakes which theoretical people, out of touch with the practice of economic compulsions, inevitably make. And the wobbling is caused by the confusion in ideas and concepts which the bureaucrats and experts, *underpinning* the Council of Ministers, seldom admit to.

Of course, following the Ordinances and the implied will to act, the Capital is again buzzing with rumours. In fact, they have little basis. Indeed, if I were to put all the reports together, all the lockers are to be frozen, bank accounts are to be made into compulsory deposits, and severe restrictions are to be put on spending. This projected 'economic implosion' is talked about in the most irresponsible manner. Significantly there is not a word about the parallel black money economy. Public opinion in the towns is convinced that the ruling party and the parties of the Opposition are determined to preserve their very special black money funds.

I should imagine that the anti-inflationary measures or the so-called 'packet of measures', will be fully revealed by the end of this month. After that, the Government of India will be too busy with the formalistic elections of the President and Vice-President — and all the ramifications of another session of Parliament, including the long-projected Cabinet and Ministerial reshuffle and the recently-threatened agitations around the new 'tilt' in the GOI's policies which, it is alleged, have significant political repercussions.

At Least a Developing Confrontation

At this moment of economic manoeuvre and tension, the political situation is certainly as confusing. The Bihar situation, aided and abetted by Congress factions, has placed in the hands of those who oppose Indira Gandhi's political dominance — 'dictatorship', it is called — a powerful weapon of embarrassment. Increasingly, the cutting edge of Jayaprakash Narayan's speeches reveals an anti-Indira slant. This suggests a sharp and developing confrontation, particularly if the agitation spreads or spills over into other regions.

Several views prevail in the Capital about the prospects of a political stir. Some underline the depth of the anger in Bihar, particularly over corruption in the Congress. Others suggest that JP is 'out on a limb' and desperately needs a few more sympathetic agitations. A minority believes that the anti-inflationary measures will spark many upheavals, in which situations like the one in Bihar will gather new dimensions. Many of our aimless radicals, busy stoking whichever fire is nearest, are speaking in the same breath of the possibility of 'fascistic' trends if the present drift continues.

Of course, the confusion among the opponents of Indira Gandhi is best seen in their inability to produce a presidential candidate. The truth is that several persons — even V V Giri (*sic*!) — have been contacted, but no one is prepared to offer his head. Of course, if there was a raw passion in the suffering of India's people, a reluctant JP would have had to enter the fray. Then, maybe, some excitement might have returned to the dreary scene of politics.

Broadly, however, the rural area is untouched by the tensions in the urban centres. Indeed, in most parts, there is more money roaming the countryside than ever before. After all, the towns are no longer living off cheap food — and whatever the notorious role of the traders and *kulaks*, there is certainly more money in the pockets of the farming community. Probably, the present confidence of the ruling party is based on the hope that this is a meaty fact and fairly general.

So, the task which has priority is that of salvaging the towns from the depredations of the inflationary spiral. At last, we are wrapped up in a tangle of economic problems — and there can be no running away because the monsoon has arrived. That's all to the good. But we must keep our eyes open just in case the rigidities of the bureaucrats and the theorising of the experts push us into an 'economic implosion'. There will be no joy for anyone in that . . .

July 15

Expanding Profitably

Hansavivek

TATA ENGINEERING AND LOCOMOTIVE COMPANY's major expansion is proceeding on schedule. The new foundry at Poona is expected to be ready early next year. By then the prototypes of the various aggregates and the new vehicles to be produced at Poona will also be ready for trials. The company has approached financial institutions led by IDBI for a rupee loan of Rs 17 crores; to finance the expansion programmes at Poona and Jamshedpur. The foreign exchange requirements for the expansion (excluding the foundry) is to be met out of a project loan to be granted by KFW to the Government of India. Last year, ICICI agreed to grant a foreign currency loan equivalent to Rs 108 lakhs to the company for the foundry project, in addition to the loans of Rs 573 lakhs already given by it. The company's cash credit limits were reduced from Rs 38.5 crores to Rs 20 crores as a result of the credit squeeze by banks last December. TELCO has requested bankers to restore the original limits in view of the increasing financial requirements due to the expansion programme and increases in costs. TELCO was allowed to increase vehicle prices by 7.5 per cent from mid-May last, and Government stipulated that future increases, more than once a year or exceeding 7.5 per cent, would require its prior approval. S Moolgaokar, chairman, observes that, since there is no restriction on the prices of goods which the company has to purchase from outside sources — whether they be raw materials from public sector steel plants or components from ancillary suppliers — there can hardly be a case for the arbitrary limit of 7.5 per cent on the annual price increases.

TELCO produced 22,559 commercial vehicles during 1973-74, compared with 21,779 in the previous year. Value of spare parts sold increased marginally, to Rs 15.16 crores. But production of excavators was lower at 72 numbers against 91 owing to shortages of bought-out components and power. The press tools division at Poona manufactured a variety of intricate dies and tools, required for replacement and expansion projects. The machine tools division manufactured a range of special machine tools. All-round rise in costs notwithstanding the company's gross profit advanced by 15.5 per cent — and this despite a less than 4 per cent increase in net sales. Equity dividend, originally recommended at 15 per cent, was pruned to 12 per cent, following the Ordinance restricting distribution of dividends. With the amendment of the Ordinance clarifying that the restriction on dividends would be on profit-after-tax and not on pre-tax profit, the board is expected to once again review the dividend recommendation. Although total borrowings increased over

The Week's Companies (Rs in Lakhs)

	TELCO		Colour Chem		Shalimar Paints		Phaltan Sugar	
	Latest Year 31-3-74	Last Year 31-3-73	Latest Year 31-3-74	Last Year 31-3-73	Latest Year 31-12-73	Last Year 31-12-72	Latest Year 30-9-73	Last Year 30-9-72
Paid-up capital	1949	1949	412	275	145	145	82	62
Reserves	2394	2194	304	323	47	43	103	85
Borrowings	6434	5324	608	608	129	135	154	80
of which Term Borrowings	2182	2806	110	76	12	22	39	6
Gross fixed assets	13497	12227	1044	863	111	110	255	252
Net fixed assets	5026	4736	637	529	48	48	86	96
Investments	31	22	—	—	—	—	29	12
Current liabilities	4673	3831	433	211	176	115	192	154
Current assets	10393	8540	1121	888	449	387	375	262
Stocks	7695	6128	586	438	181	137	135	95
Book debts	2683	2403	484	449	173	170	235	162
Net sales	15323	14736	1531	1265	698	624	432	323
Other income	471	353	17	14	7	8	52	26
Raw material costs	8661	8298	780	667	413	356	349	197
Wages	2560	2067	162	134	116	108	28	24
Interest	541	618	70	51	12	11	19	18
Gross profit (+)/loss(—)	1909	1652	351	234	53	53	84	40
Depreciation provision	902	820	77	67	5	5	13	15
Tax provision	450	360	125	72	29	30	14	17
Net profit (+)/loss(—)	557	472	149	95	19	18	7	8
Development rebate provision	170	150	11	10	—	2	—	—
Transfer to reserves	167	56	89	52	4	7	—	—
Dividend								
Amount	P 39 E 181	39 227	E 49	33	E 15	9	P 1 E 9	— 9
Rate (per cent)	P 9 E 12	9 15	E 12	12	E 10	10	P 9.50 E 14	— 14
Cover (times)	1.92	1.25	2.82	2.60	1.26	1.77	0.66	0.90
Ratios (per cent)								
Gross profit/sales	12.46	11.21	22.92	18.50	7.59	8.50	7.87	12.38
Net profit/capital employed	5.17	4.98	11.25	7.87	5.92	5.57	2.06	3.52
Inventories/sales	50.22	41.59	38.28	34.62	25.93	21.95	31.25	29.41
Wages/sales	16.71	14.03	10.58	10.59	16.62	17.31	6.48	7.42

the year, expenditure on interest was lower by Rs 77 lakhs. The ratio of inventories/sales was considerably higher. The company's exports increased from Rs 6.88 crores to Rs 7.29 crores and would have been still higher but for the shipping difficulties. The chairman is confident about the future.

COLOUR-CHEM's output of some of the dyes and intermediates was lower in 1973-74 than in the previous year, owing to "the acute shortage and steeply rising costs of essential raw materials, both indigenous as well as imported". It is stated that these factors 'enforced' upward revision of selling prices. The accounts show, however, that while net sales were 21 per cent higher, gross profit jumped ahead by 50 per cent. Equity dividend, maintained at 12 per cent on the capital enlarged by a one-for-two bonus issue, was covered over 2.8 times, against 2.6 times on the old capital last year. Both the ratios of gross profit/sales and net profit/sales were conspicuously higher over the year. Ramniwas R Ruia, chairman, observes that to many manufacturing units for basic chemicals and intermediates, each of a size which would deny to it the substantial benefits of 'the economies of scale', are not likely to subserve the long-term national interest. He adds that the company contines to encounter 'strong competition' from a growing number of large as well as medium and small indigenous producers of organic pigments and synthetic binders — which products together account for well over three-fourths of the company's turnover. He states that, considering the "growing trend towards the needless proliferation of the number of manufacturing units these old and well-worn areas to the neglect of many new, more up-to-date and challenging ones", the company has based its long-term plans on a programme of ever-widening and even more up-to-date development and diversification covering intermediates as well as auxiliaries. Colour-Chem last year paid to auditors Rs 15,000 for management services, Rs 7,000 for taxation matters, Rs 6,900 for other services, and Rs 396 for out-of-pocket expenses — besides audit fees of Rs 20,000 against Rs 15,000 paid in the previous year. The value of dyestuffs exported by the company was Rs 113 lakhs. As it formed more than 10 per cent of the aggregate value of the dyestuffs produced by the company, this will once again enable the company to receive import licences for essential raw materials and intermediates from preferred sources of supply. Demand for the comapny's products has been growing rapidly in overseas markets, including the sophisticated markets of West Germany, the US, the UK as well as in the Far East. The company envisages a substantial further growth of export business during the current year. Erection of new buildings and plant for the licensed expansion and diversification projects is in progress. As a result of the research and development effort, nine additional items were added last year to the range of licensed products. Also, three new products are being manufactured for captive consumption.

SHALIMAR PAINTS, more than 52 per cent of whose capital is held by Courtaulds — one of the international corporate giants — is awaiting industrial licence to establish a new factory in South India. The company had represented to government to modify the conditions stipulated in the 'letter of intent', to which the latter has partially agreed. Meanwhile, the company could produce last year only 8,526 KL of paint at the Calcutta factory against the installed capacity of 11,273 KL. The shortfall is attributed to the shortages of essential imported raw materials and also of indigenous ones, based on the former, and severe power shortage. Although sales were about 12 per cent higher than in the previous year, gross profit remained unchanged. The directors say that rising inflationary pressures eroded profitability. The earnings-cover for the distribution has thinned down. The ratio of inventories/sales was conspicuously up compared to last year, while that of wages/sales was slightly down. The 72-year-old company continued to direct research and development efforts towards finding suitable substitutes for scarce raw materials, both imported and indigenous. Even so, over 21 per cent of the raw materials consumed, amounting to Rs 95 lakhs, were imported. Besides, about Rs 4 lakhs were remitted in foreign currency by way of dividend for 1972. As against this, exports of goods (including those to Nepal, Sikkim and Bhutan) were less than Rs 17 lakhs compared with Rs 26 lakhs the year before. The fall in exports, according to the management, occurred because the international paint prices were "much lower than our minimum prices" — on account of the non-availability and the high prices of imported raw materials "the content of which in exports is higher than in domestic sales".

PHALTAN SUGAR started sugar production early during the 1972-73 season, and crushed 2,33,487 tonnes of cane and manufactured 2,57,630 bags of sugar. But the average recovery of sugar was lower at 10.90 per cent against 11.43 per cent in the preceding season when 1,63,433 tonnes of cane was crushed and 1,87,562 bags of sugar were produced. However, the excise duty rebate of Rs 25 lakhs under sugar incentive scheme, against Rs 7 lakhs earned in the previous year, compensated for the loss in sugar recovery, and the company was able to pay a competitive cane price to growers. But the financial results turned out to be poor, with gross profit down from Rs 40 lakhs to Rs 34 lakhs, in spite of rise in sales from Rs 323 lakhs to Rs 432 lakhs. Nearly one-third of the unchanged dividend of 14 per cent was short-earned. The Government of India has approved Phaltan's investment in equity shares of Syarikat Gulla NS of Malaysia of the equivalent value of Rs 120 lakhs. The progress of the joint venture project has been satisfactory. Phaltan's subsidiary, Havero Industries, showed a loss of Rs 25 lakhs during the year ended March 1973 owing to dull transistor market, drought conditions and increases in costs. The machinery required for expansion arrived late in the third quarter of 1973. The plant is expected to operate at the expanded capacity in 1974-75.

WELCAST STEELS has been behind schedule in implementing its project owning to delays in deliveries of plant and equipment. Melting capacity has been established and trial runs are being carried out. Integrated operations of the plant, originally scheduled for October 1973, are now expected to commence shortly. Harish Mahindra, chairman, expects the company to turn out 2,500 tonnes of finished product by the end of this year. The licensed capacity of the plant is 4,500 tonnes of alloy steel grinding media balls. The company has built sufficient inventories of essential inputs like melting grade scrap, graphite electrodes, etc, and also made adequate arrangements for their regular supply. No difficulty is envisaged in marketing the entire output of the plant. Bearing in mind the shareholders' expectations of a reasonable financial return on their investment in the company, the chairman assures them of "encouraging results" next year.

Not By Ordinances

FOR sheer hypocrisy, it would be difficult to excel some of the recent statements by government spokesmen on the economic situation. There have been, for example, the Prime Minister's speech at Bangalore (July 12), the Finance Minister's address to the Youth Congress conference at Poona (July 14), the Planning Minister's speech to a meeting of the Consultative Committee of his Ministry (June 5), and the draft AICC resolution on economic policy, which claims to have been inspired by the Prime Minister's speech at Bangalore, approved by the Congress Working Committee and released on July 15. The tone of all these statements would suggest that the government was not at all responsible for the mismanagement of the economy in the last few years.

Some obvious changes in the official view of the economic situation, as revealed in these statements, need to be noted first. For one thing, the Prime Minister and her colleagues seem to have realised that their reading of the economic situation hitherto has been wrong. Till very recently, inflation was being underplayed by the government as being not so serious. Now the Prime Minister acknowledges that "the rise in prices is the gravest of our problems . . . Inflation of this order will subvert our hopes for the future". Earlier, in more than one public speech, the Prime Minister had attributed the inflation to international factors. Now she admits that "our inability to accelerate production and prevent distortions has contributed to [the inflation]".

The Planning Minister was even more specific: "the inflation we are witnessing today is not the product of a decline in agricultural production or industrial production, specially of mass consumption goods, in the last one or two years. Nor can it be explained exclusively in terms of the addition to money supply. What has been happening for some time is that we have invested, relatively speaking, less and less in things that would strengthen the growth potential of the economy, and more and more in things that cater to the needs of a very small section of the population".

Secondly, there appears to be some recognition of the fact that the poor are the worst hit by inflation. To quote the Prime Minister: "The increase in prices has caused particular hardship to fixed income groups, labour and the landless".

Lastly, all the official statements have spoken of the need to undertake radical and many-sided measures. According to the Prime Minister, "An important — almost decisive — anti-inflationary force would be to dispel the feeling that nothing will happen and nothing can be done. This is the frame of mind which prompts the grower to keep back stocks, the consumer to make panic purchases, the trader to hoard, and the administrator to slacken". The draft AICC resolution lists procurement, a well-organised public distribution system for essential commodities, decisive action to punish "smugglers, hoarders, speculators and tax evaders" and measures to combat black money as being among the measures called for. The AICC resolution refers to some more fundamental issues as well. "The time has come to terminate the deplorable co-existence of mass poverty and the privileged wealth and economic power of a conspicuous minority in our society." The Prime Minister has particularly emphasised the need to mobilise resources from rich farmers "who have benefited most from our schemes of rural development".

In sum, there seems general agreement on what needs to be done. But does this means that action on all, or any, of these lines will follow? Here the prospect is distinctly improvising. First, the problems facing the economy have resulted almost entirely out of the gross mismanagement of the economy by the government during the past decade or so. Poor procurement of foodgrains, failure to build up an extensive public distribution system for commodities of mass consumption, frittering away of vast resources in non-developmental expenditure, low levels of public sector saving and investment, neglect of growth of employment, failure to evolve devices to protect the real incomes of the employed poor — all these have been of the government's making. The result is that the economy has not only not moved even an inch forward, measured by the proportion of people living below the poverty line — defined very austerely as an income of Rs 20 per capita per month at 1960-61 prices — it has moved many steps backward. The proportion of such people has increased from 40 per cent in 1967-68 to about 66 per cent in 1973.

The sabotage of the wheat trade take-over and the subsequent surrender to rich farmers and traders, the sharp rise in the price of wheat and failure to procure even a modest 5 mn tonnes for public distribution are all developments the responsibility for which is that of the government. For the government to now talk of a well organised public distribution system for essential commodities lacks credibility. Similarly, the state governments have ignored the recommendations of the Raj Committee — but again with the connivance of the Central government. Where, then, is the hope for larger mobilisation of resources from the farm sector? In fact, only a month or so ago the Prime Minister herself is reported to have opposed proposals to tax rich farmers put forward by the Planning Commission as politically impracticable and unrealistic. What credence is to be given to her recent declarations about taxing rich farmers and abolishing the subsidies involved in the losses of the government's irrigation and power projects? Again, only four months ago, the Finance Minister had, in the name of reducing tax evasion, quite sharply slashed income-tax rates. Now the AICC resolution declares: "Fiscal measures for levelling down incomes and legislative and executive action for redistribution of wealth should go hand in hand with our programmes for levelling up living standards from below." As for what the AICC resolution has to say about the removal of mass poverty, it is well to remember that the outlay on the Minimum Needs Programme, for instance, has been drastically cut in the Annual Plan for 1974-75 and is being reduced further in the name of fighting inflation. It had been made out that Garibi Hatao would involve a basic change in the social and economic power relations in society. In fact the existing power structure has been not only fostered but strengthened in the name of higher production. Land reforms, socialisation of urban land, control over monopoly houses, dispensation of commercial bank credit to persons of small means, ending of the control of large industrialists over banking and other credit institutions — all these were to be a part of the many-sided attack on poverty. Actually in none of these areas has the *status quo* been really disturbed.

Thus what the government has been doing is quite contrary to its proclaimed multiple objectives of growth, social justice and self-reliance. But what

about the measures announced recently to fight inflation? Do they add up to a "many-sided attack on inflation"? The key elements among them are: (i) impounding of one-half of the additional dearness allowance for two years and all increases in wages and salaries for one year; (ii) a compulsory deposit scheme for the higher income brackets, primarily intended to tap a part of the incomes of the self-employed for two years; (iii) restraint on dividends for two years; (iv) strict adherence to the declared budgetary deficit of Rs 125 crores, even at the cost of cutting Plan expenditure; (v) subjecting the top 50 borrowal accounts of all the major banks to strict scrutiny; (vi) imports of foodgrains from abroad to reinforce the public distribution system.

Besides these measures already taken, the Prime Minister hinted at further action in the following directions in her Bangalore speech: (i) taxation of rich farmers and elimination of losses of irrigation and power projects; (ii) pricing policies for foodgrains and commercial crops calculated to curb inflation; (iii) raising production in agriculture and industry so as to remove shortages of essential wage goods and key industrial products; and (iv) a well organised system of distribution to make available essential consumer goods at reasonable prices.

The policies which the government has pursued in the last few years go contrary to the above objectives. Take, for instance, the public distribution system for foodgrains. Thus in May 1974, wheat supplied through the public distribution system amounted to 4.18 lakh tonnes against 6.82 lakh tonnes in May 1973. During January-May 1974, total wheat distribution aggregated 22.73 lakh tonnes against 27.40 lakh tonnes in January-May 1973. The public distribution system has hardly attempted to cover other commodities like vegetable oils, coarse grains and pulses which have all been scarce. As for prices, the Agricultural Prices Commission is said to be thinking of an increase of Rs 10 per quintal in the procurement price of rice and paddy. This cannot possibly be avoided after having raised the wheat price to Rs 105 per quintal. As for industrial production and employment, mismanagement in key sectors like power, transport, coal and steel continues to affect the overall industrial performance. There is also no likelihood that the declining trend in industrial investment will be arrested.

Coming to the six measures which have already been announced as part of the government's many-sided attack on inflation, what do they really add upto? The real wages of the working class have been severely eroded by the inflation. The stagnation in employment has impoverished it further by adding to the unemployed dependants per earning worker. The Prime Minister's rationale for impounding the growth of wage and salary incomes is indeed strange: "Every rise in wages and dearness allowance becomes a signal for shopkeepers and others to raise prices". Curbing the growth of the money incomes of wage and salary earners is indeed an odd way of showing hoarders and speculators that the government is determined to act!

The compulsory deposit scheme for the higher income brackets will not even scratch the surface of the problem. First, the compulsory deposit is on the basis of the declared (revealed) incomes of the tax-payers and hence the unrevealed income would be outside the purview of the measure. Secondly, in respect of a large number of high salary earners in the private and public sectors, wage and dearness allowance increases impounded under the earlier ordinance will be set off against the compulsory deposit required under the latest ordinance. On the whole, the compulsory deposit scheme is inequitous between revealed and unrevealed incomes. It is also inequitous between employees who get additional wages and those who do not; the latter have to make the compulsory deposit and earn a little less interest (8.5 per cent against 11 per cent). It is also odd that the government should have first opted for a reduction in income-tax rates and hand over about Rs 100-125 crores to tax-payers and should now think of impounding Rs 50 crores through the compulsory deposit scheme.

As for the dividend restraints, it simply is not an anti-inflationary measure. The companies are expected by the government to spend the dividend payments saved. It would be unrealistic to expect that the companies will show these additional funds while applying for credit from the banks. On the other hand, dividend-receivers are not a spending class; over 85 per cent of dividend income going to individuals is received by those earning more than Rs 25,000 per annum.

In sum, about Rs 550 crores may be impounded with the Reserve Bank as a result of the three measures. Would that prevent traders and rich farmers from continuing their speculative and hoarding activities?

Government spokesmen have talked of a ruthless fight against black money, but nothing tangible has been done. At his Poona meeting, the Finance Minister chose to refer to black money in philosophical terms: "it is very illusive. It comes from everywhere but can be seen nowhere".

The Finance Minister also talked of the 'human factor' involved in punishing 'economic offenders' like tax evaders. The Prime Minister too chose similar terms at Bangalore: "Does the grave crisis which confronts the world economic system not portend the end of the old economics and of conventional economic theory? Is it not time for renewed emphasis on the study of non-material factors — the psychological and social — side by side with the intensive speculation of the various branches of economics and econometrics?" In fact the accent on restraining money supply and restricting deficit financing at the Centre to a very low figure is an exhibition precisely of conventional wisdom. The implications of these measures for long-term development and expansion of capacity, output and demand for industrial goods have been ignored. As for the overdrafts of state governments, it appears that they have started relying on commercial banks for a number of their needs which should have been met from the budgets. It remains to be seen what major redeployment of bank credit in favour of the small borrowers and against large borrowers is brought about as a result of the scrutiny of 50 major borrowal accounts by everyone of the major banks. Here too there is ground for misgivings on one major count — leaving aside the banks' willingness to be ruthless about the scrutiny. The major units generally have inter-connections down the line in terms of size and, therefore, even if some credit rationing is done after the present exercise they will be able to get their overall credit needs met. One of the Deputy Governors of the Reserve Bank recently told a press conference in Madras that all he was trying to do was only to obtain the seasonal return flow of funds "so that there could be redeployment of funds during the next busy season". Excluding food credit, bank credit has already expanded by Rs 181 crores so far during the current slack season upto July 5, against Rs 41 crores during the corresponding period last year. This was in addition to credit expansion of Rs 985 crores during the 1973-74 busy season (October-April) against Rs 910 crores during the 1972-73 busy season.

Lastly, the additional imports of foodgrains could be anti-inflationary in the strict sense of augmenting supplies through the public distribution system. But at what cost?

In sum, all these measures put together do not touch even the fringe of the problem. The excessive preoccupation with curbing money supply without emphasising adequately the purposes for which the funds are deployed will do more harm than good to the economy.

Grapevines and Nitwits

(From a Delhi Correspondent)

WHO makes economic policy now, and what is the process by which it gets accepted? It is not an easy question to answer. There was a time when the honours were divided between the Planning Commission and the Ministry of Finance. That illusion is no longer entertained, even by those involved. It must then be some trusted political colleagues, say C Subramaniam and a few like him, who have the ear of the Prime Minister and tell her what is to be done. This view is widespread, not only among the few who are so persuaded to believe that they make policy but among a large number who claim to know what is going on inside. But the *real economik* of Delhi does not seem to be all that simple.

Of course, the Prime Minister decides economic policy, as she decides all other policies. But she cannot be making it all herself, so someone must be advising her. The question is who. Everyone knows the sound dictum about foreign policy, that a nation has only permanent interests, no permanent friends. Why shouldn't that apply to domestic matters as well? A Prime Minister too can have only permanent interests, no permanent advisers. Her shrewder advisers know it as well as she does, and that is both the strength and weakness of their relationship.

When the going is good, as after a bumper harvest or two and when prices are stable, it is the turn of the radical slogan mongerers and nothing can stop them. Garibi must be hatoed here and now, reliance on foreign aid has to be stopped, and death to the monopolists and their running dogs. The Prime Minister goes along with it all, knowing fully well that its all moonshine. But they create the right image, and it suits her very well. If some simple-minded economists are naive enough to imagine that a multi-sector model which shows how it can be done is the need of the hour she does nothing to discourage such well-meant exercises. At least it keeps their morale high, and the implicit support of intellectuals has its uses. Should they quarrel among themselves about the specifications of the models to be used, or about something else, it is still better since one does not then have to look around for other alibis.

But that's old hat now. The going has turned rough, something has to be done, and one cannot just afford to waste time depending on or even listening to such stuff. One needs men of sterner fibre. Fortunately they are there, in fact standing close around, and do not even need to be told. They know the answers too, have worked out the strategy, and even the operations in some detail. It is almost like Bangladesh over again. But this time it has to be executed within the country, and needs more time legitimising all the unpleasant things that unfortunately have to be done.

The first thing to do, of course, is to put everyone off the trail. So the wistful thought about financial wizards. Financial jugglery cannot by itself do very much, nor does the Prime Minister believe in wizards any more than she does in hobgoblins and gobbledeygooks. But demand stimulates supply, so the economists say, and at least they should therefore fall for it. No one can say that the calculation has gone wrong, considering the plentiful supply of food, money, semibomblas and fullbomblas that have sprung up in less than two months.

Meanwhile the doers are on the job. They know that what is needed is more supplies of food, but they know too that getting them out of the rich farmers is simply not practical politics. So out go instructions first to buy more food abroad, wherever it can be had. If the gods are also kind, and there is a good harvest to supplement imports, perhaps even the kulaks and the hoarders will start unloading the stocks and help bring down prices. But that is still far away. The immediate problem is to prevent further rise in prices by wage-adjustments and the like.

The threat of the railway strike comes as a boon. George Fernandes is Yahya Khan resurrected. He puts on all the right postures and does all the right things to legitimise an all-out police action. True, a lot of nasty things have to be done, but what is the alternative? A decent, all-too-hesitant government is forced to act all too unwillingly, but once it decides to, it has to go all the way. The result is a bonanza, a lesson well thought, one which will not be forgotten for a long time.

But victories too have their price. The trouble with this victory was that it was too victorious. It showed that the government could act, if it so wished, and make a success of it. So if the hoarders were getting away with their hoards, and tax-evaders were prospering as never before, it was not for lack of executive power but just plain lack of political will. This had become much too obvious, and it wouldn't do to let that kind of feeling grow. So something had to be done to restore the right image.

Several moves are initiated. One is to get enacted an ordinance for imposing more severe penalties on hoarders, as if the existing legislation was not enough for an earnest government to do what it wanted. Another is to make a great display of police searches aimed at tax-evaders and their kin. The image restoration needs also some public demand for such action from respectable radicals to whom the Prime Minister still appears ever ready to listen and even be responsive. So discussions on the subject are arranged by the All-India Radio, carefully selecting the participants.

Even a new theory is launched as to how things get done in India. The theorist-to-be is carefully chosen too. All this follows now a set pattern. Journalist X is a discreet, thoughtful chap, capable of figuring it all out by himself with a little hint or two; Journalist Y is much dimmer but is as faithful as a gramophone record; Journalist Z is out only for sensational stories. So to each according to his capability and his need.

Briefly the theory is as follows. The Prime Minister acts only when she is angry, and the best comes out of her secretariat itself only in a crisis. Inflation and the crisis it has sparked off have given the urban middle class elite just the right setting to press for changes in policies which were too radical for their liking. This has worked so far: state take-over of foodgrains has been reversed, industrial licensing policy has been liberalised, railwaymen have been tamed, etc. But let no one take it for granted that the wind will continue to blow in their favour. If her new policies do not prove effective her wrath is sure to turn against those whom she considers responsible for the failure, and then heads will again roll.

Journalist X states the theory in a pretty sophisticated form in his weekly column. It may even go unnoticed, but it does not matter. For Journalist Y spells it out with fewer intellectual doubts or political reservations than Journalist X. And thank God the ones like him are more numerous, for it is only through the more prosaic that the essentials can be put across to a wider reading public. Journalist Z too has

his role in this brain-washing through the Press, for he avidly devours all the gossip about whose heads are likely to roll and who would replace them (even if the names leaked out relate only to members of the Cabinet or of the Planning Commission).

Sometimes things do go wrong here and there. In a recent AIR broadcast on tackling inflation, one of the economists spoke out of turn and said things he should not have (such as about the brutality of the methods used for breaking the railway strike and the class character of the government). This created an awkward situation. But a country that can explode or implode nuclear devices need not be derailed by such indiscretions. There is enough technical expertise around to erase the tapes, and the job was so well done that none of even his radical admirers could have suspected that three long sentences, full of pearls of revolutionary wisdom, had been quietly cut out before the actual broadcast.

The same economist figures now among the names disclosed as under consideration by the Prime Minister for advising her on economic matters. This may surprise him, and he may even be persuaded to think that no harm was really meant when those offending three sentences were erased from the AIR tapes. But it should not, if he has a fraction of the shrewdness that the present advisers of the Prime Minister have. The leak is meant not so much to lure him but to give notice to some others in the inner circle who are no longer wanted.

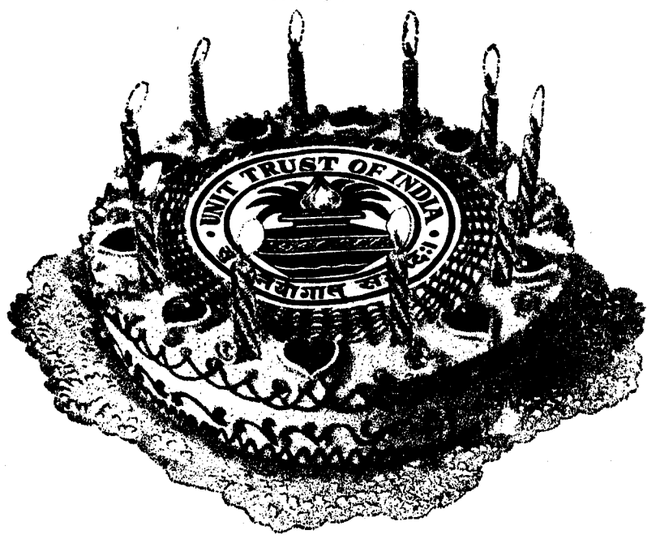
So the game will go on. Economists of different persuasions will keep doing different things with different motivations, many imagining perhaps that they are furthering the great cause (whatever they think it to be). But economic policy will continue to be made by those who know what makes the Prime Ministry angry and to what use the anger can be put to!

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davp 74/147

NEW DELHI

Delusions of Demand Management

B M

THE ordinance promulgated last weekend imposing a virtual wage freeze on workers and salaried employees in the organised sector was not entirely unexpected. As for the ceiling on dividends announced simultaneously, it was obviously intended to cushion the shock of the wage and DA freeze and to make it look that the government was holding the scales even between workers and dividend-earners. Though official spokesmen have denied it, the government has been thrown on the defensive by the sharp reaction of the trade unions to the wage and DA freeze. It has, therefore, begun to talk of a comprehensive package of anti-inflationary measures. But the main emphasis of government policy is now set. The emphasis is on arresting further growth of money supply with the public which, it is hoped, will reduce aggregate demand and thereby relieve pressure on prices.

Some show of restricting bank credit to the commercial sector, impounding of a portion of bank deposits and a compulsory savings scheme for professionals and other self-employed groups who pay income-tax are said to be some of the anti-inflationary measures that the government has in view. These measures are to be combined with a drastic reduction in the expenditure of both the Central and state governments, especially on social services. There are also hints of a supplementary budget, the main aim of which will be to raise indirect taxes on items of luxury consumption. The state governments are being pressed to balance their budgets and to fill the gaps between their revenue and expenditure by raising additional resources from the farm sector.

Whether or not these measures will achieve the objective of reducing the inflationary pressures is a debatable point. It is also questionable to what extent they will be implemented ultimately. But there is a conscious attempt on the part of the government to give the impression of being up and about, in contrast to the prolonged drift that had characterised government behaviour for the last nearly two years. The impetus in this regard has come from the Finance Ministry which appears to have taken the initiative, pushing the Planning Commission to the side-lines. After some feeble protests and sulking, the Planning Commission too appears to have fallen in line and acknowledged that the approach projected in the draft Fifth Plan stands no chance at all of being accepted by the political leadership.

The principal assumption of the government's approach, as it is emerging, is that — as against the strategy promoted by the Planning Commission since the Second Plan period, of building up excess demand in the economy and then trying to regulate supplies through administrative controls — monetary and fiscal policy has to be assigned a leading role in controlling aggregate demand in relation to the available supplies in the economy. As the policy-makers in the Finance Ministry see it, the government can either opt for rigid management of available supplies while trying to step up investment, specially in the core sector — the line advocated by the Planning Commission — or restrain demand through drastic fiscal and monetary measures, hold bank investment and restore stability in the economy. This, it is expected, will pave the way for tackling the problems of the growth of the economy on a new basis.

Whether or not one agrees with the Finance Ministry line, the government's attempts at supply management have been an unqualified failure. The high water-mark of these attempts was reached with the take-over of the wholesale trade in wheat. But this step was found to be beyond the government's capability, given social and political set-up. The panicky retreat from the wheat trade take-over and the failure to organise an effective public distribution system even in foodgrains, let alone other essential commodities of mass consumption, put the seal on the government's failure to manage supplies. This is what seems to have paved the way for the shift in policy. The government had been tinkering with demand management for some time; the wage and DA freeze — and other measures said to be in the offing — marks the shift in emphasis to demand management.

The reasons for the government's failure at supply management are well known. This course was too risky in items of the powerful economic and political interests which the government would have had to offend. It involved confrontation with the rich farmer-trader combination as well as with the industrialists, for which the government had no stomach. On the other hand, the apparent success in crushing the railwaymen's strike, through use of the most brutal police methods, emboldened the government to press on with the alternative course of demand management. How far this will succeed is, of course, another matter. The major weakness of this approach is that the scope of available policies for managing demand is extremely narrow. Thus the government will find it impossible to go beyond the 18 milllion wage and salary earners in the organised sector in the enforcement of measures calculated to curb demand. But demand originating from the salaried sector, which alone pays its taxes, makes contributions to saving funds over which the government exercises control and is generally amenable to fiscal and monetary discipline, is already fairly well regulated. The extent to which it is possible to reduce demand pressures in the economy by further tightening the screw on this sector alone, while the so-called unorganised or black money sector flourishes and the incomes of surplus farmers go scot-free and the farmer-trader-industrialist combination continues to corner surpluses in the economy, will necessarily be very limited.

It will simply not be possible to significantly affect the demand for food and other essential consumer items by merely reducing the money incomes of salary and wage earners. The prime source of inflationary pressure being food prices, there can be no let-up in inflationary pressures under a regime of higher and higher procurement prices coupled with hoarding and profiteering by the rich farmers and traders. In the case of industrial goods, too, the government has recently sanctioned a series of price increases. In these circumstances, if consumer demand declines as a result of reduced money incomes of a section of society, the producer is unlikely to cut prices so much as peg production. Since, as part of the strategy to curb excess demand, investment in both the public and private sectors is intended to be kept at a low key, what is most likely to result in these circumstances is inflation plus recession. The mid-sixties had seen a period of recession marked by rising prices; the experience may well be repeated in a more virulent form.

TAMIL NADU

Petty Issues for Petty Politics

PRICES have kept on steadily rising in Tamil Nadu. Madras City has seen prices of rice rise above Rs 3 per kg. In Kanyakumari district, bordering on Kerala, the price rose beyond Rs 5 per kg. With no control over the situation, the state government for the most part resorted to gimmickry trying to make-believe it was making attempts to hold down the prices.

On an unsuspecting morning, the 40 per cent levy and the ban on the movement of paddy and rice from the district of Thanjavur — the rice bowl of the South — were removed with a flourish. This 'pragmatic' measure was a bonanza to the big landlords and millers who had used their capacity to hoard large stocks with forethought, expecting exactly such a relaxation of the situation. Thus, in addition to the constantly increasing procurement prices, the Thanjavur rice would now fetch the fantastic price that would be offered for it in the other scarce districts. Evidently, it matters little to the government that the rice would be unattainable at such prices for the lakhs of landless tillers and poor peasants in Thanjavur itself. Consequent to the lifting of the restrictions, the price of a bag of paddy shot up from Rs 40 to Rs 75. More than 1 lakh tonnes of paddy moved out in a couple of days. Faced with the furore it created in the district, the government reimposed the restrictions — but not without the familiar 'movement by permit' clause that still leaves ample room for illegitimate exits. Such peripheral gauche tinkerings with the food crisis have left this 'surplus' state — whose Chief Minister is the most jubilant supporter of the Green Revolution — desperately needy.

Muster Roll Scandal

Faced with a food scarcity, failing monsoon, 75 per cent power cut, and nightmarish memories of the recent electoral results, the government once again postponed the municipal elections. Another factor has been the muster roll scandal of the Madras City Corporation, involving a colossal amount which keeps being revised upward every day. The scandal has resulted in the arrests of worshipful mayors, deputy mayors, chairmen of committees, councillors and a bevy of staff, big and small. The scandal shot into public view again recently, when it was discovered that volumes of records showing up the misappropriation of over Rs 1 crore have been consigned to the flames to prevent the investigating authorities from getting to them.

It is against this overwhelming backdrop that the ruling party and its resourceful leader have initiated a dangerous, albeit time-worn, diversionary move. It has been trumpeted that the Keralite eking out a living in Tamil Nadu, as waiter, barber, tea-shop owner, or factory worker, is the main enemy of the Tamil people! On May 26, the Tamizhar Padukappu Peravai (Tamilians' Protection Force), officially led by DMK members and the Chief Minister's followers, took out a procession, shouting anti-Malayalee slogans, and smashing the small Malayalee shops on the way. When the opposition parties demanded a judicial probe into the outrage, Karunanidhi shrugged it off, blaming the Press for having blown it up. The Chief Minister dissociated himself from the organisers of the process with aplomb, but failed to explain how it was that the police, who were refusing permission to processions wanting to show solidarity with the striking Railwaymen, allowed the Tamilians' Protection Force to organise an overtly communal march. Nevertheless, Karunanidhi left his followers in no doubt of his support for them when he told the Keralites to behave 'with restraint'. The poet-politician had indeed recited, at a recent public function, his latest creation: "Could the race of devils who come here to eke out a living, flourish, while the children of this earth languish?" (translation).

It may seem ironical that the Dravidian Progressive Association, which once aimed to unite everyone south of the Vindhyas in a confrontation with the 'Aryan aggressor', should now turn its venom against a Dravidian brother-people. The covert fact of the matter is that MGR — the chief rival of the DMK and its Chief Minister — is a Malayalee by birth. One of the ministers openly stated that, while minorities had the right to live in Tamil Nadu they could by no stretch of imagination claim the right to rule it. Organised attacks on MGR movies go on. Apparently, any stick to beat MGR with is okay with Karunanidhi. However, the DMK has largely failed to enthuse the masses with its anti-Malayalee hysteria, despite the everyday 'hate Malayalee/MGR' campaign carried on by the pro-DMK papers and politicians.

One can trace the regional chauvinism and Tamil fanaticism of the DMK to its earlier themes. The chief enemy of the Tamils, the DMK had said, was the Baniya who was the political and economic oppressor. Hindi had to be fought as the language of the oppressor. As Annadurai wrote: "The Roopchands, the Jeevanlals, the Shiv Narayans have camped in every nook and corner of Dravida Nadu doing business in everything from groundnut to diamonds. And yet, is there any place for the Danapals, the Annamalais, the Arumugams in the North?" He pleaded for a tougher strain of southern capitalism capable of fighting back the Baniyas. While the Roopchands were gaining technical expertise from the Western capitalist centres, he moaned, the Chettiars were going from temple to temple seeking divine blessings. Economic well-being became synonymous with political liberation from the Aryans. The slogan 'Separate Dravida Nadu' was thus simple to offer and easy to swallow.

Communal Cauldron

But never did DMK's regional chauvinism ever hurt the capitalists — Dravidian or Aryan. If in the past it helped the up-and-coming local bourgeoisie against the all-India northern giants, the party today is in the service of the bourgeoisie as a whole. As the ruling party, the DMK is in fact trying to underplay its anti-North image, and in a 'pragmatic' spirit is sending its ministers to the 'Aryan' North to welcome, with open arms, the once-hated Jeevanlals and Roopchands to come South with their money-bags and avail of the excellent 'law and order' situation. Addressing a Chamber of Commerce meeting recently, the Industries Minister assured the dignitaries that any move of the government to "protect the interests of the Tamils" would not hurt them. Apparently, while the non-Tamils have no right to rule the land of the Tamils they have every right to exploit Tamil labour. Whether it be a British monopoly or a Malayalee capitalist, the communal cauldron has been stirred up by the DMK in order to defeat labour struggles. Whether in Ashok Leyland or the Madras Rubber Factory the Tamil worker was set against his Malayalee brother, with official sanction to break his struggles.

The ADMK's weak counter to this — apart from verbal condemnations — has been to call a meeting to discuss the issue. The Marxists boycotted the meeting because of its inclusion of the ruling Congress, whose governments in Maharashtra and West Bengal have been the forerunners of Karunanidhi in pandering to linguistic proclivities for more than linguistic ends. In fact, Karunanidhi quoted the examples of these states and the Prime Minister's approval of their action when he announced his government's proposal to reserve 80 per cent of the jobs for domiciled Tamilians. The CPI(M)'s suggestion, that only a united action to strengthen mass democratic struggles can help weaken the fissiparous tendencies and diversionary manoeuvres of the DMK, evoked no response. MGR's reluctance to lead a mass struggle was clear in his pale response to the All-India bandh on May 3: mass fasting was the most that the 'revolutionary leader' could envisage by way of protest.

Meanwhile, the India-Sri Lanka pact, ceding Kachchativu, a barren rock claimed as part of Tamil Nadu, to Sri Lanka, was a god-send to some political parties. It was time for all true Tamilians to climb the high horse of regional patriotism. And there could be none truer than MGR, who had great need to establish his 'Tamil' credentials since the DMK stuck out the Malayalee tongue at him. His reaction has therefore been the most jingoistic, and quite uncomfortably so for Karunanidhi. He has called upon the DMK government to resign in protest and join the mass movement to retrieve the islet! Not to be outdone, the Chief Minister called an all-parties meeting, unattended by the CPI and CPI(M), and passed a resolution urging the Centre to renegotiate the agreement; there still is a lot of sound and fury, but little evidence of serious intent.

NORTH

The Ineffective Spirit

ON grounds of administrative feasibility, the Punjab Government has opted for retention of the traditional land revenue in consolidated form and has turned down the Raj Committee's recommendation of an agricultural-holdings tax on operational holdings. Revenue Minister Umrao Singh stressed that the state government had accepted the 'spirit' of the Committee's report; the Committee's recommendations, he said, were "very cumbersome and impracticable". So, instead, the basic and extremely low land revenue rate, which has remained unchanged for half a century, is to be enhanced by 150 per cent on an average; this would also more than make up for the loss resulting from the abolition of the surcharges.

The rate enhancement is supposed to partially remove a glaring anomaly in the tax structure of the predominantly agricultural state of Punjab which is also the most prosperous in the country in terms of per capita income of Rs 1,054 per annum. Land revenue has constituted less than 0.5 per cent of the state's annual revenue. The estimate for 1974-75 was Rs 1.16 lakhs in a Rs 2.35-crore budget. In fact, the low yield does not cover even the costs of collection.

Although the agriculturists' income has been rapidly rising — thanks to the price hikes in foodgrains and other farm products — receipts under 'Land Revenue' have been actually diminishing. In 1969-70, the land revenue yield was Rs 1.72 lakhs, in 1970-71 Rs 1.69 lakhs, in 1971-72 Rs 1.19 lakhs, and the Revenue Minister put the receipts for 1973-74 at Rs 1.05 lakhs. The budget estimate for 1974-75 was Rs 1.16 lakhs. Punjab has had the lowest direct taxes on agriculture. Even after the modest increase in the rate of land revenue, to be effective from the next kharif harvest, the state will still rank lowest in this respect.

The Raj Committee had pointed out that, in Punjab, the direct agricultural tax as a percentage of agricultural income (average for 1967-68 to 1969-70) was 0.24, against the all-India average of 0.94. The direct agricultural tax as a percentage of the total state revenue (taking the average for the same three years) was 2.83 against the national average of 11.09. The corresponding figures for UP were 22.36, for Assam 24.57, and for Haryana 5.12.

Together with the reimposed cess on commercial crops — which had been abolished in 1970-71 following strong protests from farmers — the enhanced land revenue is expected to yield an additional income of Rs 3 crores per annum. As against this, the Raj Committee's expectation following from its own recommendations was about Rs 20 crores for the Fifth Plan period.

Nevertheless, the state can be said to have at long last taken a step in the right direction. Though the Revenue Minister is non-committal, the possibility remains too of a further enhancement of the progressive land revenue rate in the coming years. However, the Congress ministry would have to risk the displeasure of the influential farm lobby which dominates the state's administrative and political life. Already, the Akali leaders have denounced the new levies on the farm sector as 'extortion' and are reported to be working out a strategy for causing the maximum discomfiture to the Zail Singh ministry on this score.

It is significant that actual payments by agriculturists often fall far short of the obligatory dues — as is evident from the Revenue Department's mounting arrears, the latest estimate of which is Rs 253.7 crores or 150 per cent more than the annual yield from land revenue. The recent disclosure of substantial outstanding arrears of co-operative loans due from the Punjab farmers would further diminish the net yield from the farm levies.

Haryana's experience strengthens such apprehensions. Scoring yet another 'first', the Haryana government had announced in its 1973-74 budget the imposition of a consolidated land holdings tax in accordance with the Raj Committee's recommendation and estimated an additional revenue of Rs 3 crores under this head. But early this year, in his 1974-75 budget speech, the Finance Minister admitted that this measure had still to be fully implemented. Owing to partial implementation, the additional income was only about Rs 70 lakhs. A higher yield is expected during the current year, but whether the Rs 3-crore target for additional receipts will be achieved is far from certain, considering the political fall-out in case of strict implementation.

The risk of a political fall-out also explains the inadequate yield from the wheat de-hoarding drive, launched in Haryana and, to a lesser extent, in Punjab. Official collusion with wholesale traders, many of whom maintain stocks in the rural areas, is suspected. Reports from the districts suggest that the drive has been a virtual farce. None of the bigger sharks has been arrested, and no large stocks have been seized

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in any district of either of the two states.

Unlike in Punjab and Haryana where hardly any member of the ruling Congress has actively participated in unearthing hidden stocks of essential commodities, in Himachal such initiative has recently come forth from a nationalist youth organisation — the 'Him Sena'. In Simla town, the Sena, following the example of some student groups in Bihar, raided the godown of a leading businessman and located sizeable stocks of vanaspati, toilet soaps, and some other commodities. The authorities have not extended any co-operation to this organisation. There have been no seizures of stocks and no arrests of guilty traders in the town, though shortages and high prices have been rife. The frustrated Him Sena volunteers then gheraoed a senior food and civil supplies officer who had allegedly hushed up the case. But since then, enthusiasm has waned and shortages are being generally accepted as inevitable under the existing set-up.

AUTONOMOUS COLLEGES

Feeding Petty Chauvinisms

D Prempati

AFTER witnessing the many and various post-Independence educational reform measures — each coming to grief with the same alacrity as it was hailed with — one cannot believe that the creation of autonomous colleges is going to be the ultimate solution of the ills of higher education. The manner in which this proposal is being bandied about, almost like a swear-word, goes only to reinforce the impression that our academics have lost even the capacity to deduce lessons from one experiment before rushing on to another. One does not have to be cynical to conclude that as we tackle one problem, we create ten other problems, that being perhaps the only knack we have.

The most pressing problem of higher education is of identifying and tackling the problem of undergraduate teaching. The problem is so frightening that no academic wants to continue with ugly undergraduate teaching beyond the first five years of his career. The attractions of research and post-graduate teaching, as also of university and college administration, have been in no small measure due to a desire born of frustration to escape from undergraduate teaching. Understandably we have hardly any professors in our colleges who may have been recognised as such for their contribution to the organisation and teaching of their disciplines at the undergraduate level. Among the consequences have been a sharp devaluation of the college lecturer and a general erosion of the undergraduate teaching responsibilities of the senior faculty members. In the existing varsity structures which vary only slightly from centre to centre, the college organisationally is neither an academic constituent of the affiliating university nor a viable nucleus of higher learning. The shaping of the Indian college is so outlandish that it does not have the organisational scope to allow a senior faculty to grow, nor does it have any measure of prestige and attractiveness to retain the few bright youngsters who may have chanced upon this stepping stone.

Some such colleges are said to have reached a certain growth point where if given some academic autonomy they could further develop. Such autonomy means: (1) framing syllabi (2) enrolment (3) recruitment and determination of service conditions (4) teaching (5) conducting examinations and awarding degrees. Though the concept of autonomy from one affiliating university to another varies, the type of autonomy now being pressed for boils down substantially to framing syllabi and awarding degrees through home-examinations. To insist on this meagre basis that academic autonomy exists and can gainfully operate in the present Indian society which is a battlefield of big and small sectarian interests is on any reckoning a feat of naivete or a subtle gambit to accommodate the thousand and one contradictions of this disintegrating order. As with secondary education, whose problems we claim to have tackled through a few pace-setting model schools (perhaps modelled on public schools), we bring a similar elitist approach to bear on higher education and conclude that autonomous colleges which conceivably are collegiate counterparts of model or public schools, would similarly do the pace-setting and the field of higher education would be cleansed. It is symptomatic that the same old elitist approach which is as much a legacy of Macaulay's filtration theory as of the pretended Oxbridge orientation of our present rulers has been allowed such unrestricted free play even today when we talk so much about national education to integrate above all with our political objectives and vindicate itself as an instrument for social change.

National unity and social advance ought to be the minimum national objectives which no blueprint, educational or otherwise, can afford to overlook without serious loss to the nation. One could in this connection examine how secular forces already bruised and mauled badly are going to be finally defeated by colleges all in the name of autonomy. Our political understanding of secularism has meant a sort of equal state encouragement to all creeds and religions which in actual practice means the real difference between Pakistan and India is that while the former is an Islamic uni-religious state, the latter is a multi-religious state. Needless to say this meaning of secularism which at once gives the Indian ruling class the comfort of feeling advanced without any organic loss to its deep-seated obscurantism has proved rather handy and helpful in accommodating the several contradictions which political independence has brought in its wake. As if not to lag behind, the academics gleefully plumped for this perversion of secularism. How else can one explain its sequacious understanding by the last Education Commission (presided over by a well known physicist, to boot)? As a consequence, the academic problem today is not merely that of lack of secularisation but of de-secularisation now invoking autonomy and now constitutional safeguards.

About a secular and scientific approach which two Indian universities have the same terms of reference? Aurangzeb and Shivaji continue to receive outspokenly communal assesements. It is common knowledge how faced with revivalistic fury Jodhpur University capitulated and purified its conscience by dropping a piece of secular Hindi fiction. Take Tulsidas or the so-called Indian Renaissance literature or even the remote English literature: from classroom discussions one does not know what the teachers are discussing — whether scriptures plain and simple or some bizarre 'secular scriptures'? Not only Indian historical scholarship, but every other branch of knowledge as discussed on the campus has yet to be emancipated from the bonus-yielding 'secularism' of Government of India variety.

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When the universities in their primary responsibility to control and eliminate non-secular forces have failed, it is not far-fetched to ask how the autonomous colleges are going to behave. Most colleges owe their origin to denominational or caste or communal initiative. How unabashedly the college names proclaim their sectarian and communal interests — SD, Christian, DAV, Muslim, Khalsa, Jat, Ahir, Kayastha, Agarwal! After witnessing the unedifying Aligarh spectacle of the Government of India slinking away from its own earlier secular protestations, it will be puerile to expect the smaller fry, that is the state governments and affiliated universities, to stick to the norm of academic excellence in giving autonomy to their colleges. Needless to say, academic excellence will be determined in direct proportion to the number of votes the college-sponsoring caste or community can muster locally. And to expect the universities to have the political orientation and intellectual guts to say no to these local political giants is to shut one's eyes to the quality of the recent academic leadership in our universities. Once autonomy is wrested, these colleges whose academic component more often than not tends to follow the dominant non-academic segment of their management will soon try to justify their academic utility by incorporating in, and reorienting, the syllabus to suit the special world view of their managements. For instance, one autonomous college will teach, as indeed one university does right now, that the Aryans being original natives did not come to India from outside, while the other college will religiously hold that all Brahmins, being survivors of foreign aggressors, must be banished forthwith. So much so that at no two autonomous colleges will they teach even a vaguely related Indian history or political science. Any extension of autonomy from university to college will further hasten the divisive politics and, in the process, academically institutionalise the swing from communalism to casteism — almost the only advance we have made all these years. This, in all probability, will preclude enrolment and recruitment of all such candidates as may not share the denominational or sectarian bias of the institution. And those who do will get admission and assessment at the expense of others having sounder qualifying claims. Such limited chauvinisms sprouted in and shrouding the syllabi, students and teachers of no two colleges will have any common norms and approaches. And between the two a big divide of incomprehension, incommunication and hostility will come to stand rocklike as indeed is already so between a Gurukul and a Jamia Millia, which are about the two institutions most colleges will graduate to, should autonomy be given institutionwise. Multiplying Gurukuls and Jamia Millias is no solution. What these institutions have done with their autonomy and what standards they have been able to achieve is, of course, no lesson to the elitist and non-secular forces which are pressing for autonomous colleges.

SHIPPING

Some Light on an Area of Darkness

THE India-Pakistan-Bangladesh Conferences, which control eastbound and westbound liner shipping trades between the Indian subcontinent and UK and the Continent, have published their Annual Report for the year 1973. This is indeed a commendable step, particularly because public knowledge of the operations of most shipping Conferences and rate agreements controlling liner trades of the Indian subcontinent is very limited. It is to be hoped that the lead given by the India-Pakistan-Bangladesh Conferences in this aspect of public relations will be emulated by other Conferences in this region. In the USA, for instance, shipping Conferences and rate agreements are subject to control and regulation by the Federal Maritime Commission, a government agency. The Indian subcontinental trades are not subject to such statutory control and shippers and traders do not get information from governmental authorities about the activities of shipping Conferences in the manner that their counterparts do *in the* USA. The Annual Report for 1973 of the India-Pakistan-Bangladesh Conferences will, therefore, be heartily welcomed by traders in these countries.

The Report is mainly concerned with the problems of member lines of the Conferences. It discusses subjects such as pooling and rationalisation, voyage time, bunker costs and availability of bunkering, consultation, the Code of Conduct, cargo-handling, port congestion and currency adjustments.

The Conferences have established an administrative structure with centralised control over all possible Conference actions resting with their London office. For maintaining close contact with traders in Conference spheres, local chairmen have been appointed at principal seats of Conference trades in India, Pakistan and Bangladesh, i e, Bombay, Karachi Calcutta and Dacca. Local secretariate have been established at Bombay, Calcutta, Chittagong, Cochin, Karachi, Madras, Tuticorin and Visakhapatnam.

Ever since 1960 the Conferences' main services have been organised on a pooled basis and sailing opportunities are offered on the basis of continuous assessment of trades' requirements. When pooling was introduced in 1961 the main argument advanced was that it would result in economy of scale in Conference lines' operations without affecting the flow of trades. The prices and costs of Conferences are susceptible to the prices and costs of other factors upon which Conference services are sustained and unless the Conferences' rate structure take care of the effects of cost and price variations on their services, their existence would be at stake. This is true, no doubt. However, the Report does not give any indication as to the measures taken by the Conferences to achieve economies of scale, excepting for the introduction of rationalised sailings which ensured 89 per cent to 93 per cent utilisation of space of ships offered in service. From the point of view of the economics of transportation it may be accepted that in a public utility service like shipping unutilised capacity remains a constant factor throughout a ship's life and in any pricing structure of services care is taken to allow for this phenomenon. Utilisation of 89 to 93 per cent of total capacity offered to the trades could be achieved only under pooling and rationalised sailings, with profits secured at higher levels by constant review of costs of service and increases in rates. However, some of the items of costs such as delayed port-time, rise in bunker prices, depreciation in value of tariff currency and deviation *via* Cape of Good Hope are covered by independent surcharges, with higher or lower percentages depending upon the actual conditions. Even so, between 1961 and 1973 the Conferences have imposed general rate increases of 114 per cent in the aggregate on their trades which falsifies their argument that pooling ensures economy of scale.

The Report, however, argues that because profit margins were falling or were non-existent in the period preceding pooling, rate increases would have been more frequent and higher had pooling not been introduced. Thus pooling appears to be a device to ensure a stable level of profits, with economy of scale, if it can be achieved, emerging as a byproduct. Pooling of trades has caused a measure of disappointment among traders as, in spite of promises, the standard of Conference services leaves much to be desired. Another aspect of pooling which it will be worthwhile to examine is to what extent it has effected the capacity of the Indian lines to cater to cross trades since these lines have to bear the major burden of carrying the Indian trade. Has their share of about 48 per cent in Indian trades been ensured at the cost of development of their capacity for serving other trades and therefore development of their shipping tonnage?

Apart from highlighting service problems the Annual Report covers an interesting issue. The Conferences have been thinking about the introduction of an advanced system of sea transportation and had constituted a committee to study as to which of a number of systems — unitisation, containerisation, barge carrying — would be suitable for the trades of the subcontinent. Here several problems as to draft length of ships, port facilities, etc, have got to be studied and port authorities have to be approached for their opinion on such systems. The Report of the Committee must be ready by now and its recommendations as to the most suitable system that can be adopted in the subcontinent to serve its sea trades with efficiency and without much extra cost will be eagerly awaited.

The Report alludes to visits of Conference delegations for consultations with shippers' associations and concerned government department in the subcontinent. The international shipping cartels were the first to appreciate the utility of mutual consultations with shippers and had evolved a 'discussion formula' even before the CENSA "Code of Conduct" was prepared in 1963. Although full cost data as prepared by independent chartered accountants formed the basis for all past negotiations for general rate rise between the All-India Shippers' Council and the India-Pakistan-Bangladesh Conferences, the method and processing of items of costs require scrutiny to understand the impact of cost increases on the Conferences.

The report holds out the possibility of another general rate rise in 1974. Since the majority of flag groups in the Conferences represent those countries which have endorsed the UNCTAD Code of Conduct, there should not be any difficulty in the way of the Conferences adopting the code to regulate their conduct.

Traditionally speaking, it is correct to say, as the Report does, that the ship's responsibility begins and ends at the ship's rail. However, in liner trades a custom has been built up over the years at some ports to absorb preshipment costs. This may not be called 'subsidy' in the true sense, but such costs are absorbed by the lines to ensure quicker despatch to ships which would otherwise suffer excessive costs for lifting in relation to the costs absorbed by them. Thus the absorption of preshipment costs by liners has an economic significance. The absorption of stevedoring costs is a complicated process and lines can be uncertain whether they are squaring up with such costs while absorbing them in liner rates of freight. If they are not, it means a stevedoring subsidy extended to cargo and a net outgo from their legitimate service dues. If the inter-Conferences committee finally decides to resort to FIO rates for the liner freight, most of the liner freight tariffs will represent the actual costs of liners for services rendered to shippers, with stevedoring costs to be absorbed by each of them.

Congestions at ports occur because of labour trouble, inadequacy of berths, seasonal breakdowns, as at Bombay in the rainy season, and terms of shipping time such as obtaining in contracts for sale at Calcutta. Surcharges are imposed by Conferences after observation of port performance over a period, during which lines stand to lose not only on expenses on standing charges but at times owing to rise in cargo claims on perishable goods or on account of inherent vice in cargoes carried. However, as the Report points out, the shipping lines cannot do much more than express their anguish and hope and make representations to port authorities through their committee at ports to improve turnround of their ships.

The world's principal currencies have been under pressure for some time. As a result of this, the India-Pakistan-Bangladesh Conferences, which quoted rates of freight in UK sterling, switched over to the US dollar which was then considered a stable currency. The US dollar also has been under pressure of late and in order to stall depreciation of their freight revenues because of fall in the value of the tariff currency, Conferences throughout the world have been imposing additional charges for maintaining the levels of their freight revenues. There is need for evolving some structure for taking care of such contingencies and a formula, which may not be hard upon either shippers or lines, is expected to ultimately emerge from the deliberations which are at present going on between this Conference and Shippers' councils in Europe and the Indian subcontinent.

DACCA

Faith, Hope and Poverty

Harish Chandola

BANGLADESH, which was very keen to normalise relations with Pakistan in order to bring about normalisation of relations in the entire subcontinent, had prepared a draft agreement of four points which it placed before Bhutto at the formal talks between the two governments on June 28, 1974. The four points were all-round co-operation between the two, particularly in trade, education, culture and sports; acceptance in principle of division of assets of Pakistan as they stood on March 25, 1971 when Bangladesh declared its independence, with Pakistan apportioning to Bangladesh within two months its share of easily quantifiable assets; repatriation of the remaining persons registered with the International Committee of the Red Cross for going to Pakistan, with appropriate appeals to the United Nations and its agencies for arrangements for their transportation from Bangladesh to Pakistan; establishment of diplomatic relations at embassy level.

Bhutto did not agree to any of these four proposals. All he said at the talks was that he had come on a goodwill visit and his talks were exploratory and therefore the question of his signing an agreement on any of the above points during the visit did not arise. But he did not close the door to further discussion on these subjects and has in fact invited the Bangladesh Prime Minister to Pakistan. The invitation has been accepted. A hopeful sign of the possibility of some measure of agreement in the future was indicated in Bhutto's message to Mujib from his aircraft after takeoff expressing the hope of opening trade relations between the two nations.

Bhutto was given a massive welcome by the people of Bangladesh the day he arrived, June 27. There were about 5,000 people at the airport to greet him and about 100,000 had lined up the streets along the three-mile stretch from the airport to Bangabhaban where he was to stay. As his car passed the people, shouts of "Pakistan Zindabad" and "Bhutto Zindabad" were raised all along the route.

This happened in spite of the fact that for over a week before his arrival, the Bangladesh press, radio and television had launched an intense campaign to remind the people of the national oppression of Bangladesh by Pakistan, of the atrocities of the Pakistani army less than three years ago and of Bhutto's support for the Pakistani army in its efforts to crush the resistance and his diplomatic efforts in Peking and the United Nations to mobilise material and moral assistance for Pakistan to keep Bangladesh in bondage. The Bangladesh campaign had become so intense that two days before Bhutto's departure for Dacca, a spokesman of the Pakistan government announced that the Prime Minister was considering whether he should proceed on his goodwill visit in view of the campaign by Bangladesh radio and TV against Pakistan. The Bangladesh government then promptly said that it would take to task those responsible for the campaign and that it was looking forward to the visit. The campaign died down abruptly.

By relating the horrors Bangladesh had suffered during the Pakistani days, the government was obviously trying to tell its people that they should not forget what Pakistan and Bhutto had done in the past to oppress and suppress Bangladesh while receiving him. But the Bangladesh people who now face the kind of economic hardships which they never did during the Pakistani days forgot, in spite of the reminders, their bitterness towards Pakistan and looked with great hope to Bhutto's visit which they believed might result in resumption of trade between the two countries and in Bangladesh then receiving cheap rice and cloth and consumer goods at reasonable prices from Pakistan again, like before.

Rice now sells in Bangladesh at taka (rupees) four a seer (metric measures have not been introduced here yet), while in the Pakistani days it hardly ever sold for more than 75 paise. The cost of almost everything has risen by 400 per cent or over and many consumer goods are just not available. Bangladesh government circles now openly acknowledge that hoarders, profiteers and smugglers have become very active and together with corrupt officials they are causing very serious problems to a country whose economy is already stagnant.

The welcome given to Bhutto by the people and their shouts of "Pakistan Zindabad" did not mean that they were seeking the re-establishment of Pakistan over Bangladesh. It only showed that the hopes and aspirations of a better life they had nurtured at the birth of their nation had faded considerably and that they were now looking forward to the benefits that trade with Pakistan might bring. The popular welcome given to Bhutto was not a commentary on the popularity of Pakistan but on the sad state of affairs in Bangladesh.

The economic and political difficulties of the Bangladesh government must have become apparent to Bhutto immediately on his arrival. The mainstay of Bangladesh's economy, the jute industry, has not picked up production, which is now not even half of what it used to be in the Pakistani days. Foreign assistance to Bangladesh has been greatly curtailed from the two billion dollars received in the first two years of its coming into being. Because of the problem of law and order, the climate for foreign investment is not favourable. Management and technical skills are lacking and generally there are gaps in its economy which nobody knew how to fill.

Bhutto hinted that Pakistan, by the opening of trade with Bangladesh, and the oil-rich Islamic nations by providing credits to it and perhaps even investments, could come to the help of Bangladesh. Bhutto was on very good terms with the Islamic countries which had met at the Lahore summit, last February, on his invitation. If he spoke for Bangladesh's needs with them, they would listen and come forward with help. But Bhutto perhaps wanted a price for this. He did not say what that price would be.

He, however, kept on saying that the balance of power in the Indian subcontinent had changed with India becoming a nuclear state. He said the subcontinent now had a nuclear state and two non-nuclear states, Pakistan and Bangladesh. As far as Pakistan was concerned it was seeking international guarantees for its political independence and sovereignty against "India's nuclear blackmail". He did not say that Bangladesh should join it in seeking such guarantees. But there is absolutely no doubt that he wants political support from Bangladesh for his argument that India has changed the balance in the subcontinent by becoming a nuclear state.

In Dacca he also said that efforts to normalise relations between his country and India had suffered a "setback" because of India exploding a nuclear device. Because of this development, he was not prepared to normalise relations with India until his political objective was achieved. The objective seems to be to portray India as a country which has opened the way for other nuclear aspirants to develop nuclear devices and as a country which has become a threat to its non-nuclear neighbour, Pakistan. He named the other nuclear aspirants as Israel and South Africa and his purpose in naming these two was to try to isolate India in the developing and non-aligned worlds by implying that should Israel follow India's lead in ignoring the plea for non-proliferation of nuclear weapons then it would become a much greater threat to the Arabs and so would South Africa to the African states.

Yet, it was apparent that Bhutto had not come empty-handed to Dacca. He had for instance brought with him M Haroon from an eminent industrialist family which had run an insurance firm in the then East Pakistan with which Mujib had been connected. Haroon is reported to be still on the friendliest of personal terms with the Bangladesh Prime Minister. The whole lot of people who came from Pakistan with Bhutto kept on saying that they had already selected Haroon as their future ambassador to Bangladesh, and that they had even brought him with them. There would have been no point in selecting an ambassador if it was not taken for granted that diplomatic relations were to be opened. Bhutto had obviously come prepared to announce establishment of diplomatic relations with Bangladesh. But when he arrived in Dacca something made him hold back. Nobody knows what that was. It was however certainly not true that Bangladesh wanted Pakistan to agree only to a division of assets and to taking back the remaining Urdu-speaking people who wanted to go to Pakistan. Bangladesh had also asked for the opening of trade and the establishment of diplomatic relations, to which Pakistan did not agree at Dacca.

This is only an announcement and not a prospectus.

WG FORGE & ALLIED INDUSTRIES LIMITED

formerly Wyman-Gordon India Limited (Incorporated under the Companies Act, 1956) Registered Office: Central Bank Building, Mahatma Gandhi Road, Bombay 400 023.

Announcement regarding issue of 13,80,000 Equity Shares of Rs. 10/- each for cash at a premium of Rs. 2.50 per share.

Persons interested in full details may obtain copies of the Prospectus and Application Forms from the Registered Office of the Company, Brokers or Bankers to the Issue mentioned hereinunder.

The subscription list for the issue will open at the commencement of banking hours on Wednesday July 24, 1974 and will close at the close of banking hours on Friday August 2, 1974 or earlier at the discretion of the Directors but not before the close of banking hours on Saturday July 27, 1974.

An application will be made to the Stock Exchange, Bombay for permission to deal in and for an official quotation for the equity shares of the Company.

History and Development of the Company

The Company was incorporated on November 9, 1959 originally under the name of Almag Foundry Private Limited. The Company entered into a technical and financial collaboration with Wyman-Gordon Company of U.S.A., in the year 1961 and changed its name with effect from February 23, 1962 to Wyman-Gordon India Ltd. at which time it also became a public limited company by virtue of Section 43-A of the Companies Act, 1956. Again, with effect from March 22, 1973 the Company changed its name to the present name, namely, WG Forge and Allied Industries Limited.

The Company was incorporated with the objects stated in its Memorandum of Association.

Present Operations

The financial and technical collaborators of the Company are Wyman-Gordon Company, U.S.A., leaders in the field of manufacturing forgings. The Company had entered into an agreement for knowhow and other services with the collaborators on November 28, 1961 for a period of 10 years, in the manufacture of forgings and castings. During this period, the Company has assimilated the sophisticated technology provided by the collaborators and has improved on it.

The Company commenced production of forgings in 1962 and since then has expanded its operations considerably. Its products have found wide acceptance in all industries where forgings are used. The Company also caters to the requirements of Defence, Atomic Energy Establishment, Railways and Aeronautics industry.

Proposed Activities

The Company proposes to expand its production of existing range of forgings and manufacture new forgings by Pour Forge process and diversify into machining of crankshafts for which letters of intent have already been obtained from the Government of India. For the purposes of manufacturing forgings by the Pour Forge process, the Company has entered into a new technical and assistance agreement with the collaborators for a period of five years from June 24, 1974. As per this agreement, the collaborators will provide the technical knowhow and information relating to equipment, raw materials, specifications and drawings. The collaborators would also provide the qualified engineers and technicians to aid the Company. The Pour Forge process will contribute to improvements in efficiency and effect economies in production. The demand for crankshafts is expected to grow considerably with the expansion of manufacturing capacity for products such as agricultural tractors, commercial vehicles, multi-cylinder diesel engines and automobiles. With the implementation of the above programme, the Company expects to achieve a commanding postion in the forging industry in India.

The cost of the proposed expansion scheme and the crankshafts project is estimated at Rs. 284 lacs which will be partly financed through the proceeds of this issue including premium.

Profitability, Prospects and Dividends

The Company is one of the leading manufacturers of steel forgings in the country. The products of the Company have a ready market. Demand for steel forgings has grown rapidly in the recent past and the Company's working results have shown a commendable improvement. The Company declared dividends of 10% from 1969 to 1972. For the year ended December 31, 1973, the Company stepped up the dividend to 15% on the capital as increased after issue of three bonus shares for four shares in 1973.

After the implementation of the expansion scheme and the diversification project for the manufacture of finished crankshafts, the profitability of the Company is expected to improve still further. The Board of Directors is of the opinion that barring unforeseen circumstances, the Company will make sufficient profits to pay a satisfactory dividend on the equity share capital.

SHARE CAPITAL

	Face Value (Rs)
A. Authorised: 50,00,000 Equity Shares of Rs. 10/-each	5,00,00,000
B. Issued, Subscribed and Fully Paid-Up: 17,50,000 Equity Shares of Rs. 10/- each of which Wyman-Gordon Company, USA holds 8,75,000 shares.	1,75,00,000
C. Present Issue: For cash at a premium of Rs. 2.50 per share. 13,80,000 Equity shares of Rs 10/- each at a premium of Rs. 2.50 per share	1,38,00,000
D. Out of the Present Issue: 1,60,000 Equity Shares of Rs. 10/- each at a premium of Rs. 2.50 per share have been reserved for allotment to Life Insurance Corporation of India for cash	16,00,000
80,000 Equity shares of Rs. 10/- each at a premium of Rs. 2.50 per share have been reserved for allotment to Unit Trust of India for cash.	8,00,000
3,00,000 Equity shares of Rs. 10/- each at a premium of Rs 2.50 per share have been reserved for firm allotment to the directors and employees of the Company (who are Indian nationals resident in India), for cash provided the value of shares which may be so alloted to any one individual director or employee shall not exceed Rs. 2,000/-	30,00,000
	54,00,000
E. Now offered to the Public for Cash at a Premuim of Rs. 2.50 per share: 8,40,000 Equity Shares of Rs. 10/- each at a premium of Rs. 2.50 per share (to which will be added the unsubscribed portion of the 3,00,000 equity shares reserved for firm allotment to the directors and employees of the Company).	84,00,000

TERMS OF PAYMENT

	per share (Rs.)
On application	4.00 (Rs. 2.50 on capital account & Rs. 1.50 on premium account).
On allotment	3.50 (Rs. 2.50 on capital account & Rs. 1.00 on premium account).

The balance of Rs. 5.00 per share will be called in one or more calls to be made by the Board of Directors within 12 months from the date of allotment.

BOARD OF DIRECTORS

1. Shapur Phiroze Rao (S/o late Mr. Phiroze M. Rao)
6-A, Sakar Apartments, Sir Pochkhanawala Road, Worli Bombay 400 025.
Chairman & Managing Director.
Occupation: Company Executive
Chairman: Formac Engineering Ltd., Micro Tools Ltd.

2. Joseph Ray Carter (S/o Mr. Joseph R. Carter), 80, Salisbury Street, Worcester, Massachusetts 01609.
Occupation: Company Executive
President: Wyman-Gordon Company, USA
Director: Wyman-Gordon International, Inc. and others.

3. Sacket Roland Duryee (S/o late Mr. Sacket L. Duryee), 15, Westwood Drive, Worcester, Mass., USA
Occupation: Company Executive
Director: Wyman-Gordon Co., USA and others.

4. Kenneth Harlan Berkland (S/o Mr. Oscar F Berkland), 355, High Street, Westwood, Mass 01091, U.S.A.
Occupation: Company Executive
Director: Materials: Wyman-Gordon Co., USA

5. Ravidatta Tulshibhai Patel (S/o late Mr. Tulshibhai Patel), 42, Canterbury Court, South Acre, Graham Park, London N.W. 9
Occupation: Businessman
Director: Closeburn Estate Ltd., Nairobi, Kenya

6. Shantilal Thakordas Parekh (S/o late Mr. Thakordas Motiram Parekh) Bhaveshvar Sagar, 2nd floor, 20, Napean Sea Road, Bombay 400 036.
Retd. Bank Executive
Chairman: The Petlad Bulakhidas Mills Ltd.
Director: Arbuda Mills Ltd. and others

7. Govind Guno Desai (S/o late Mr. Guno G. Desai), 'Sweethome', Mogul Lane, Mahim, Bombay 400 016.
Occupation: Solicitor
Director: Globe Auto (Gujarat) Ltd., and others

8. Yezdi Hirji Malegam (S/o late Mr. Hirji A. Malegam), 'Goolestan', 37, Cuffe Parade, Colaba, Bombay 400 005.
Occupation: Chartered Accountant
Director: The Antifriction Bearings Corpn. Ltd., Bokaro Steel Ltd., and others.

ADMINISTRATIVE OFFICE & FACTORY
Off Pokhran Road, Majiwade, P.B. No. 41, Thana (Maharashtra).

Technical Collaborators

Wyman-Gordon Company, Worcester, Massachusetts, U.S.A.

BANKERS TO THE COMPANY
1. American Express International Banking Corporation, Oriental Building, Dr. D.N. Road, Bombay 400 001.
2. Bank of Baroda, 12, Apollo Street, Bombay 400 023.
3. Canara Bank, Warden House, Sir P.M. Road, Bombay 400 001.
4. First National City Bank, Dr. D.N. Road, Bombay 400 001.
5. The New Bank of India Ltd., Brady House, Veer Nariman Road, Bombay 400 001.
6. The Saraswat Co-operative Bank Ltd., Hamam Street, Bombay 400 001.

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2. Bank of Baroda, 12, Apollo Street, Bombay 400 023.
3. First National City Bank, Dr. D.N. Road, Bombay 400 001.
4. National & Grindlays Bank Ltd., Lloyds Branch, Dr. D.N. Road, Bombay 400 001.

SOLICITORS
Little & Company, Central Bank Building, Mahatma Gandhi Road, Bombay 400 023.

AUDITORS
A.F. Ferguson & Co., Chartered Accountants, Allahabad Bank Building, Apollo Street, Bombay 400 023.

MANAGERS TO THE ISSUE
Management Consultation Division, First National City Bank, Air-India Building, Nariman Point, Bombay 400 001.

ISSUE HOUSE AND TRANSFER AGENTS
Consolidated Share Services Pvt. Ltd., Bank of Baroda Building, 3rd Floor Apollo Street, Bombay 400 023.

PRINCIPAL BROKERS
Lewis & Jones, Bank of Baroda Building, Apollo Street, Bombay 400 023.

OTHER BROKERS
BOMBAY:
1. Bhupendra Champaklal Devidas, Dalal Street, Bombay 400 023.
2. Batlivala & Karani, Dalal Street, Bombay 400 023.
3. Chimanlal J. Dalal & Co., Dalal Street, Bombay 400 023.
4. Harkisondass Lukhmidass, Apollo Street, Bombay 400 023.
5. Jasvantlal Chhaganlal, Dalal Street, Bombay 400 023.
6. Merwanjee Bomanjee Dalal, Apollo Street, Bombay 400 023.
7. Prabhudas Liladhar, Hamam Street, Bombay 400 023.
8. Valji Bhimji & Co., Dalal Street, Bombay 400 023.

DELHI:
1. Amrit Lal Bajaj & Co., 'F' Block, Connaught Place New Delhi 110 001.
2. Bharat Bhushan & Co., H-45, Connaught Place, New Delhi 110 001.
3. Behari Lal & Co., Asaf Ali Road, New Delhi 110 001.
4. D.B. Malhotra & Co., Asaf Ali Road, New Delhi 110 001.
5. Harbans Singh Mehta & Co., Parliament Street, New Delhi 110 001
6. H.P. Mehta & Co., Kasturba Gandhi Marg, New Delhi 110 001.
7. Jalan & Co., Asaf Ali Road, New Delhi 110 001.
8. Raja Ram Bhasin & Co., 8/4, Desh Bandhu Gupta Road, New Delhi 110 055.
9. Sikander Lal & Co., Asaf Ali Road, New Delhi 110 001.

CALCUTTA:
1. Brijnath Khandelwal & Co., 13, India Exchange Place, Calcutta 700 001.
2. M.M. Murarka & Co., 1/B, Mandeville Gardens, Calcutta 700 001.
3. Place, Siddons & Gough (Pvt.) Ltd., 6, Lyons Range, Calcutta 700 001.
4. Stewart & Co., 14, India Exchange Place, Calcutta 700 001.

MADRAS:
1. Chitra & Co., 322/323, Linghi Chetti Street, Madras 600 001.
2. Kothari & Sons, Kothari Buildings, Nungambakkam High Road, Madras 600 034.
3. Patterson & Co., Vanguard House, (3rd floor) 11/12, Second Line Beach, Madras 600 001.

HYDERABAD:
1. P.B. Afzulpurkar, 4-5-195, Sultan Bazar, Hyderabad 500 001.

BANGALORE:
1. M. Nanjappaiah Jahgirdar, 205, Cavalry Road, Bangalore 560 042
2. Vijai & Company, 9, Eleventh Main Road, Malleswaram, Bangalore 560 003.

AHMEDABAD:
1. Champaklal Bhailal Choksi, Manek Chowk, Near Share Bazar, Ahmedabad 380 001.
2. Chinubhai Chimanlal Dalal, Fatehbhai's Haveli, Mahurat Pole Naka, Ahmedabad 380 001.
3. Laxminarayan N. Gupta & Co., Anandji Kalyanji Building, Relief Road, Ahmedabad 380 001.

INDORE:
Pushkarlal Ghudawala, 44, Bada Sarafa, Indore 452 002.

UNDERWRITERS

In view of the sound financial position of the Company, the Directors are confident of full subscription and hence the present issue has not been underwritten.

HOW TO APPLY

OBTAIN COPIES OF PROSPECTUS AND APPLICATION FORMS from Registered Office of the Company or any of the Brokers and Bankers to the Issue mentioned above.

COMPLETE AND SIGN THE APPLICATION FORMS (applications must be for 50 shares or multiples of 50) and deliver applications and cash or bank draft or cheques to any branch shown against the banks mentioned above. Cheques or drafts should be on banks at the place to which they are despatched by post or delivered by hand.

OPENING DATE: July 24, 1974

CLOSING DATE: August 2, 1974, or earlier but not before July 27, 1974

ISSUE MANAGED BY:

MANAGEMENT CONSULTATION DIVISION
FIRST NATIONAL CITY BANK, BOMBAY

Creative Unit-A 1384

Many Faces of Untouchability

S D Kulkarni

The Untouchables in Contemporary India by J Michael Mahar (ed); Tucson, University of Arizona Press; p xxxii + 498.

TILAK once publicly declared that he would denounce even God if He accepted untouchability. Gandhi was also equally emphatic and wrote "Swaraj is as unattainable without the removal of the sin of untouchability as it is without Hindu-Muslim Unity". The Constitution of India abolishes untouchability and forbids its practice in any form. The enforcement of any disability arising out of "untouchability" is made an offence punishable in accordance with law (Article 17). In pursuance of this objective, Parliament passed the Untouchability (Offences) Act in 1955.

In spite of all this the spectre of untouchability still haunts India. Persons belonging to the scheduled castes are still victims of inhuman atrocities. In December 1968 upper class landlords burnt down the houses of scheduled caste labourers, killing 42 men, women and children. Surprisingly enough, all the 23 landlords prosecuted in this case were acquitted, 15 in the Sessions Court and 8 in the Madras High Court.[1] In August 1972, in Erangawn in Nagpur district a Buddhist youth Ramdas Ran-navare was tortured and killed as he was suspected of having used black magic to spread cholera in the village.[2] Recently in a riot between caste Hindus and scheduled castes, two scheduled caste persons were killed in Ranmalpur village in Gujarat.[3] Numerous other such instances can be given. Besides these major atrocities, minor insults and conflicts are a daily occurrence everywhere.

This is a collection of papers contributed by American scholars belonging to different disciplines; there is also one paper by an Indian sociologist, Andre Beteille. The book is divided into four parts. This makes the reviewer's task difficult because the contents of the different parts overlap.

In his introduction Opler has expressed what may be called the general consensus of the studies:

> "Thus it seems fairly certain that caste and one of its polar expressions, untouchability, will not soon be swept away by a frontal attack. Caste will weaken noticeably only when the themes which lend it dignity and meaning lose momentum and general acceptance. Several of them are undergoing some slow erosion, and the sharpest edges of caste contrast can be expected to undergo continual blunting. Still, the total edifice shows no signs of crumbling yet, and what many beholders consider to be an anomaly in a modern state — caste and untouchability in India — are quite sure to persist for some time to come to perplex those scholars who have been impatiently waiting for class or national consciousness to erase them from the scene" (p 12).

The first part of the book deals with the untouchable's role in rural communities. It contains three essays. In one of these Mahar describes various disabilities suffered by untouchables in a north-Indian village. He also points out that, in spite of common disabilities, the four untouchable castes in the village do not think of themselves as sharing a common group identity. This is, of course, true of the country at large. One of the reasons for the slow progress in eradication of untouchability is the lack of unity among the untouchables themselves. Mahar also shows how adult franchise has given a new instrument of power in the hands of the untouchables. The essay is based on two surveys of Khalapur, a village in Uttar Pradesh, the first conducted in 1956-58 and the second in 1968-69. The latter investigation "revealed some improvements in the economic conditions of the untouchables, but little overt change in their social and political status in the village" (p 31).

Mencher, however, feels differently in her study of some untouchable castes in Tamil Nadu. She remarks that "the ultimate resolution of the many problems confronting the Paraiyans, and other untouchable castes, is dependent in large measure upon the overall economic development of the region... The Paraiyan's problem in the village is the problem of the rural proletariat everywhere, with the added stigma of poverty" (p 56).

The most interesting paper in this part is by Neale who studies harijans as a "marginal" group in rural India: marginal in the economic sense and marginal in the view of non-Harijan members of Hindu society. Most of the untouchables do not own land or enjoy the benefits of protected tenancy. They earn their living by working on the land of others and/or attaching themselves to landholding cultivators. How will they fare in the changing rural structures and activities? Medium farming is taking root in India. It is possible that the families of farmers may work longer and meet a large part of their need themselves. With the increase in population the rural labour supply is increasing. The increase relates to caste Hindus as well as untouchables. It is quite possible that caste Hindu labourers may get preference in employment, forcing the untouchables out of work. Their position will depend upon whether the demand for agricultural labour increases substantially with the introduction of modern farming techniques. Neale remarks that "any specific predictions about the effect of new capital must be made case by case and crop by crop". This is quite an interesting field for researchers in socio-economic matters. With capitalist commercial and medium-scale farming the untouchable agricultural labourers will face a dilemma. If they demand higher wages they will lose employment, if they don't their condition will not improve in spite of a general improvement in economic conditions. One must point out that the leaders of scheduled castes particularly, B R Ambedkar, have been aware of this problem and have consistently demanded nationalisation of land. Whether this is probable and desirable is, of course, a different matter. This reviewer feels that Neale should have expanded this theme. His analysis of scheduled caste agricultural labourers as marginal labourers both from an economic and a social point of view is quite right and needs elaboration, particularly in regard to its policy implications. Land ownership is the most important status symbol and source of power in rural areas. All the states have declared that scheduled castes will be given priority in the redistribution of land becoming available as a result of the imposition of ceilings. But in actual practice very little land is given to them. Caste Hindus use their power (and they have ample power) to grab the land through fair means and foul. In a study of land distribution in some of the villages in Maharashtra, Mulla points out that most of the landless households from the backward classes could not secure any government lands,

in spite of the first place given to them in the priority list.[4]

The second part of the book covers religion and reform and contains five essays. Zelliot's study of Gandhi and Ambedkar brings out the contrast in their approaches and yet the complementary nature of their work so far as the eradication of untouchability was concerned. Ambedkar's approach seems to have gained the upper hand as post-Independence efforts to eradicate untouchability have been mainly through legislative and political measures. However, the inadequate results of these do point to the necessity of social reforms through a change of heart. Thus it seems that only a combination of the approaches will deliver the goods. There can be no two opinions about Zelliot's remark that "the paths of Gandhi and Ambedkar, while they often diverged, ultimately converged, forcing on the Indian conscience the problem of untouchability as an issue of national concern" (p 91).

However, economic stagnation has to some extent nullified their efforts. As Zelliot puts it:

> "For the majority of untouchables, who are landless villagers, the only open road to a higher economic and social status entails leaving the security of their village and somehow obtaining education. Gandhi may have softened the Hindu heart. Ambedkar may have awakened self-respect and an interest in politics among the untouchables, but economic dependence upon others continues to restrict the upward movement of the untouchables" (p 95).

One may point out that experience shows that even "leaving the security of their village and somehow obtaining education" does not in many cases lead to a higher social status, though they may lead to a higher economic status.

Lynch's perceptive description of the myth and charisma of Ambedkar that led to the conversion of Agra jatavs to Buddhism will be of interest to students of sociology. Fiske has described the working of the scheduled caste Buddhist organisation. He has pointed out that even prior to the Ambedkar-led conversion movement, there were some such minor movements in India. His conclusion is that there are many (Buddhist) organisations and that "the intangible network linking the different groups, their leaders, and the masses, possesses a power that is difficult to deny". Indeed, if a powerful leader is able to bring all the Buddhist organisations and masses under one leadership, it will be a formidable force which will facilitate the work of the eradication of untouchability. However, the chances of this being done appear very remote.

Babb's essay on the Satnamis illustrates how a religious movement gets involved in political strifes if it is confined to a consolidated group. Alexander's study of neo-Christians of Kerala shows how the caste system with its ugly aspect of untouchability has crossed the frontiers of Hindu religion and has spread its influence even in other religions. Conversion of low caste Pulayas has not brought them into the fold of Syrian Christians, though many of the latter follow "polluting" occupations such as dealing in fish, toddy, leather and meat. Pulaya Christians are not given food inside the house of a Syrian Christian, but only outside it in broken dishes or leaves. After eating food served in a dish the Pulaya must wash the dish before returning it. Syrian and Pulaya members of the same church conduct religious rituals in separate buildings. Thus, there is a great distance between the Pulaya and Syrian Christians in all spheres of life. However, there appears to be some difference in the caste character among the Hindus and Christians. Converts to Christianity from the Izhava caste considered untouchable have been accepted as members of the Syrian Christian community, because of their relatively high economic status. Alexander concludes that "consequently it appears that the reason for the non-integration of the Pulaya Christians must be due to considerations other than their identity as untouchables" (p 161). This reviewer feels that the conclusion does not follow logically from the facts stated. What about poor converts from high castes? Are they not accepted as equal by Syrian Christians? If so, the right conclusion would be that the reasons for the non-integration of the Pulaya Christians are poverty and untouchability, and not poverty alone.

The third part of the book is titled "Government Efforts to Abolish Untouchability" and is, in the opinion of the reviewer, the most important part of the book. The actual coverage of the two essays in this part goes beyond what is indicated by the title. Dushkin in her essay 'Scheduled Caste Politics' describes government attempts to deal with the problems confronting the scheduled castes. These fall in three categories. First, there are several constitutional and other legal provisions which remove discrimination against untouchables and grant them the same rights as other citizens. Second, general development and welfare programmes to aid landless agricultural labourers, municipal slum-dwellers, or other low-income groups benefit scheduled caste individuals who form a large part of such groups. Third, there is 'protective discrimination' which includes scholarships, loans, grants and job reservations. According to the author, government efforts to remove untouchability deal more with the secular condition than the untouchability of the scheduled castes. "By design or by happenstance, it [the government] has been more concerned with power and poverty, education and employment, than with pollution and related disabilities."

The benefits offered to the scheduled castes are of two main types: (1) reservations in legislatures and local government institutions, government employment and higher educational institutions; and (2) financial assistance, administered through a variety of welfare schemes. The author finds that "caste welfare schemes have indeed been small and quite scattered. The only programmes of any real size or importance have been in education" (p 178).

However, in spite of these measures, the untouchables lag behind the general population in educational attainments. So far as government jobs are concerned the author finds that "it is the clerical and other petty white-collar posts in the class III category that are most affected by reservations". He concludes that for almost all forms of protective discrimination "even on paper, in the actual legal provisions and administrative rules, the concessions are much more limited than they seem to be at the first glance. And this is only what is on paper. Poor implementation reduces them still more" (p 186).

The author has analysed the system of reservations for the scheduled castes in the legislatures. Adult franchise has given some political power to the scheduled castes. Some scheduled caste leaders have used their people as 'vote banks' to bargain for political privileges, sometimes for the community but many times for themselves. The political goals of the reserved seat system were power and integration. The weak minority was given a fair share of power to represent its political view and to protect its interests and to provide opportunities for full participation in the political life of the country on honourable terms. Experience shows

that the scheduled caste representatives in legislatures have sometimes used their strength to get more benefits for the community, but on the whole for various reasons they have not acted *en bloc* and have not used their strength effectively.

Protective discrimination has also its disadvantages. It has fostered the growth of a "new class". These concessions have been utilised by a small fortunate class and "with the operation of the system over years, the gap between these more fortunate ones and the rest of the untouchables seems to have widened". The gap exists among castes as well as within castes. Protective discrimination has also created a sort of animosity between the recipients and others. This is particularly so in the case of admissions to institutions imparting higher education and promotions in service. It has also created a belief that removal of untouchability is a state responsibility. "The very existence of all the government provisions, or the belief that they exist, seems to justify inaction by private citizens. Again and again, we are told that untouchability does not exist any more because it was abolished over twenty years ago by the Constitution. The Untouchability (Offences) Act, 1955, takes care of the few places where it may still exist. Besides, the scheduled castes have all those benefits now" (pp 214-15). Again it is argued that because of protective discrimination there is danger of building a vested interest in the survival of untouchability. Four ways are proposed to eliminate protective discrimination: shifting the concessions to bases other than caste, imposing time limits on them and gradually letting them lapse, stratifying the castes on the schedules into less and more backward, with the concessions adjusted accordingly, and taking the more advanced castes off the lists of those eligible for benefit. All these ways are fraught with innumerable difficulties and their acceptance appears to be a near impossibility in the near future.

The author finds that protective discrimination as a whole has become a mechanism for social control, an instrument of distributional politics, a game played by both sides, recipients as well as donors. Reserved seats do not appear to confer effective power in the hands of the scheduled castes to improve their general position. "The kind of power that will be respected in the long run will have to be generated outside the legislatures and beyond the devices of protective discrimination" (p 226).

The second essay in this part by Marc Galanter, "The Abolition of Disabilities — Untouchability and the Law", is the best paper in the whole book and deserves careful study. According to Galanter the British in the early years of their rule took care not to offend the caste Hindus by giving any support to the so-called low castes against them. Civil laws protected the exclusion practices of the caste Hindus particularly in religious and social affairs. The courts were reluctant to provide remedies in cases where caste Hindus tried to enforce their prerogatives against the lower castes. Even the criminal law was interpreted to give a broad immunity to the efforts of higher castes to keep the lower castes in their place. The author sums up: The overall impact of the law on untouchability in the (early) British period is difficult to assess. The law opened some possibilities for advancement and change to the lowest castes, as it did to others ... It did not provide an instrument for aggressively suppressing the untouchables, but the law provided a resource with which higher castes could protect their claims and in some instances perhaps even tighten their hold on valued resources to the exclusion of lower castes (p 237).

After the beginning of the twentieth century some legislative measures were adopted by various provinces to remove some of the disabilities suffered by the scheduled castes. Later on in 1950 the Constitution abolished untouchability "in all its forms". However, as the author points out, the Constitution does not define untouchability, nor is it clear what constitutes its "practice in any form" or a disability arising out of untouchability. Various courts have interpreted these terms in different ways. The Untouchability (Offences) Act of 1955 was designed to eradicate untouchability. However, the author has, with the help of some tables, pointed out "that the Untouchability (Offences) Act has not fared well in the High Courts, in contrast with the earlier state legislation, which generally received favourable interpretations from these courts". The Act forbids denial of facilities and services "on the ground of untouchability". This makes conviction difficult since states of mind are difficult to prove. Again, conviction may not be possible if discrimination is not exclusively aimed at untouchables. Thus the Allahabad High Court reversed the conviction of a hotel keeper who had put up a sign stating that the hotel would serve only some specified castes. Similarly, in a case where the dhobis refused to render services to chamars on the ground that they would lose the trade of other Hindus, it was held that this was not a discrimination 'on the ground of untouchability'. Moreover, the Act is not clear in the case of facilities which are used by the "public" but are not technically public. These problems are not insurmountable as such but the author feels that less and less effective use of the Act will be made in future.

In general it appears that there has been some decline in the level of disabilities suffered by the untouchables. Even in rural areas there is a general softening in the vigour of the disabilities. However, resistance to change is great, though it is often indirect and is rarely articulated publicly. Galanter offers a few generalisations: Disabilities have, it seems, declined more in urban than in rural areas; they have declined more in public and occupational life than in social and family matters; they have declined more among the educated than among the uneducated; more among men than among women. The highest castes are, it seems, generally more accepting of change than the middle groups. The higher among the untouchables are the greatest beneficiaries of these changes; their disabilities have declined more than those of the lower groups, especially the sweepers (p 262).

This reviewer who has some experience of surveys of scheduled castes can add that the disabilities are less in villages which are multi-caste than those where the majority of the population belongs to one caste. Again, the disabilities are severe where the majority caste is rich than where it is poor. The rich middle caste peasants sure of their pecuniary and political power take a special pride in denying the scheduled castes their newly acquired privileges. This was the experience not only in villages where the Maratha was the prominent caste but even when other castes, e g, Banjari, were prominent.

Galanter concludes: "Most untouchables continue to suffer under disabilities which are both onerous in themselves and which severely restrict their life chances. The public disabilities most often reported are exclusion from restaurants and hotels (and restrictions on the use of utensils), restrictions on the use of wells and other water sources, denial of services by barbers, *dhobis*, etc, and, in rural areas, denial of equality in seating arrangements, and exclusion from accommodation ... All of this exists against a background of widespread harassment of those who assert their right to equality and a pervasive discrimination which bars even the more fortunate urban and educated untouchables from full social acceptance and full participation in society" (p 262).

There is at present a wide gap between the law on the books and the law in operation. Equivocal law has helped power-holders, intellectuals and educated urban dwellers to believe that untouchability is gone or is going, without paying the political cost that a strenuous attack on it would entail.

In fact, it is possible to make the law more effective. For this Galanter has offered certain useful suggestions. At present it is an offence to enforce a disability on grounds of untouchability. This can be changed to "arising out of untouchability" as stated in the Constitution. This will widen the scope of the Act. Secondly, the Act should be amended to make it clear that it applies to any property by whomsoever owned, which is used by the public and not only to property that the public has a legal right to use. Thirdly, improvements should be made in the implementation of the Act by appointing special magistrates and by the establishment of machinery to guide and co-ordinate enforcement activity.

Part IV of the book deals with social and psychological responses to change of status. It is probably the weakest part of the book and the first two essays contain translations of some Marathi stories dealing with this issue, interpreted in psychological jargon. Some of the actual incidents described by Isaacs illustrate the problems faced by the scheduled castes in different parts of the country in a better way than these stories. One can easily accept his conclusions about educated ex-untouchables: They want to leave their past but the society does not allow it. They get separated from their own community but do not get assimilated in the wider community. They have to depend on their caste for marriage and other things.

However, it would have been better if Isaacs had avoided suggesting that some common surnames among the scheduled castes have been adopted because of certain reasons like 'Gaikwar' coming from Gaikwar of Baroda or 'Shinde' from the famous social reformer Vithal Ramji Shinde.

Beteille in his essay "Pollution and Poverty" emphasises the economic aspect of this problem. Genuine attempts to raise the social position of the scheduled castes have been defeated by a variety of material constraints. The scheduled castes suffer from the twin stigmas of poverty and pollution, the one strengthening the other. Due to various tenancy laws there is large-scale eviction of scheduled caste tenants and more and more of them are becoming agricultural labourers. The tendency to pay wages in cash rather than in kind has also affected them adversely.

Beteille thinks that in a sense both Gandhi and Ambedkar failed. Gandhi failed because the change of heart did not go deep enough and Ambedkar failed because conversion has not led to escape from the stigma of pollution. This reviewer is unable to accept this conclusion. It is not proper to expect that the practice of untouchability prevailing in Hindu society for more than two thousand years would disappear completely in a few years. This reviewer feels that in a way both Gandhi and Ambedkar have succeeded in starting the process of eradication of untouchability, one from the side of the caste Hindus and the other from the side of the scheduled castes, one with emphasis on change of heart and the other on legislation and similar measures. If these efforts are pursued with vigour it will be possible to get rid of this evil for good by the end of this century.

In spite of being a compilation of essays, this book is a good aid to the understanding of the problem of untouchability. The reviewer feels that as the practice of untouchability and the progress made to eradicate it as also the conditions of the scheduled castes differ from state to state, state-wise rather than all-India studies of the problem will be more useful both for understanding of the problem and formulation of policy. One hopes that Indian scholars will pursue the problem further. The book will provide them some guidelines; besides a very exhaustive bibliography. This is a book which deserves close study by students of social problems and social workers.

Notes

1 For comments on this case see "No Landmark, This" in *Economic and Political Weekly*, Vol VIII, No 18, May 5, 1973.
2 See *The Times of India*, August 19, 1972 for details.
3 See *The Times of India*, June 30, 1974, for details.
4 Mulla, G R, "Government Lands for Cultivation" in *Economic and Political Weekly*, Vol VIII, No 39, September 29, 1973.

Political Mismanagement of the Economy

Rajesh K Agarwal

Crisis of Indian Economy by Balraj Mehta; Sterling Publishers, Delhi, 1973; pp 192; Rs. 20.

Politics and Economic Development in India by Howard L Erdman; D K Publishing House, Dehli, 1973; pp 136; Rs 25.

WRITTEN in journalistic style, Mehta's book presents a bird's eye-view of the major problems presently besetting the Indian economy. His book is not purely an economic analysis but rather a study of India's political economy. "The more the political leadership, which runs the affairs of the state, weakens and is either unwilling or unable to make the requisite effort to organise and carry out economic development, the more anxious it becomes to take shelter behind slogans and vague phrases in an unsuccessful attempt to impress in an unsuccessful attempt to impress public opinion". This appears to be the author's main criticism which runs through his entire study. Anyone familiar with the current state of our economy would indeed be hard pressed to dismiss this stand.

The Indian economic scene has been divided into three distinct periods — the first four years after the turmoil of Independence and partition of the country were a period of taking account of resources and preparing for development; the next 15 years saw the implementation of three Five-Year Plans with significant progress on a wide front; since the mid-sixties the economy has been subjected to severe strains making little progress and essentially marking time. Mehta's main concern is with this last period. The first half of his study is a scathing attack on the benign neglect, incompetence and lethargy of our political leadership. The period following the close of the Third Plan has seen a three-year plan holiday followed by a half-hearted implementation of the Fourth Plan. This has resulted in creating a wide gap

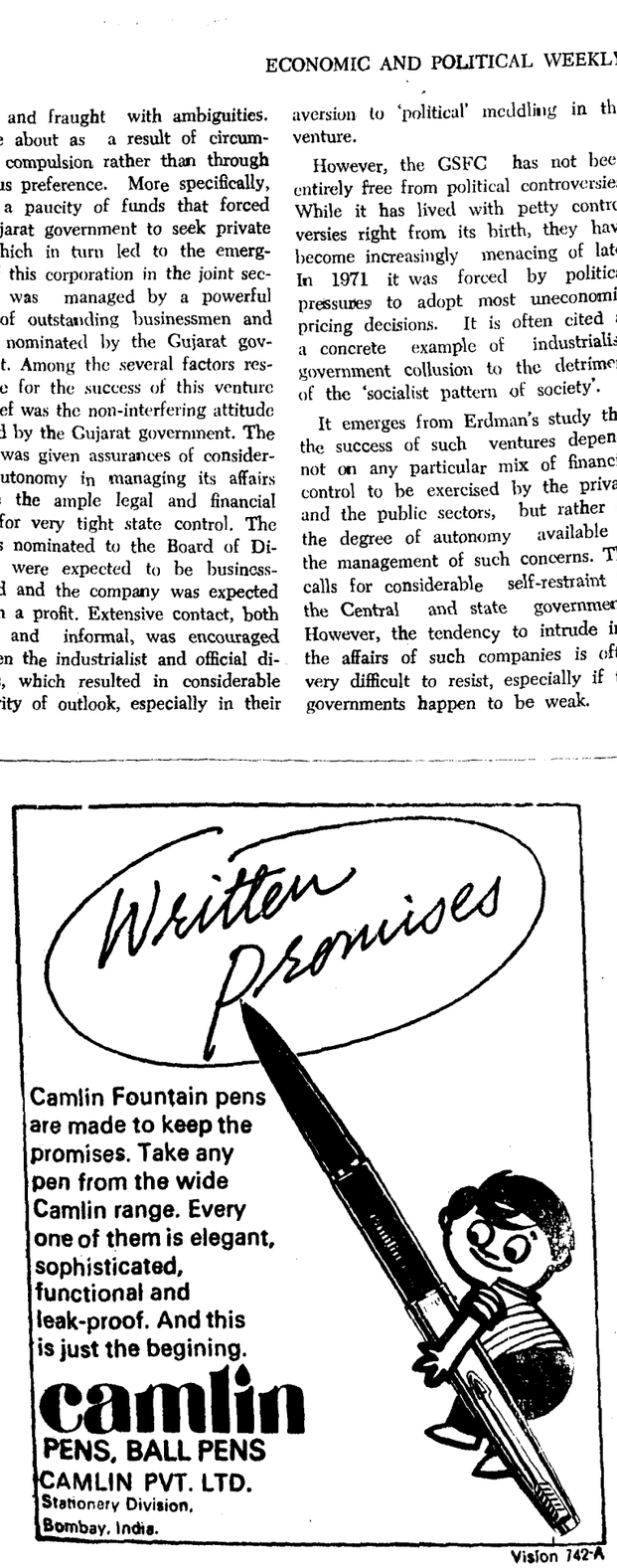
between stated objectives and actual achievements, which in turn has ushered in an atmosphere of uncertainty and increased social tensions within the country. The role of the Planning Commission, which was responsible for the impressive achievements of the first three Plans, has been greatly diminished. "Reappraisal of plans", according to the author, "has become the primary activity of the Planning Commission even as plan implementation has become nobody's business for the last ten years".

The second half of the book presents an interesting appraisal of policies and performance since the mid-sixties of such sectors of the economy as agriculture, foreign aid, the private and public sectors, wages and prices, and industrial relations. Here again the impression conveyed is of indifference, mismanagement, political interference and tension between the bureaucrats and technocrats resulting in poor performance at heavy cost to the nation. The steel industry is one such example — from a cry of surplus capacity and production in the sixties, the country today is confronted with a severe steel shortage acting as a major bottleneck in the functioning of the national economy and compelling large and costly imports. "The indifference of the bureaucracy in the steel ministry and of the top management of the steel enterprise in the public sector, Hindustan Steel Limited, except to their personal power and ambition, was so overwhelming at one time that it would be incomprehensible to ordinary minds", the author states. The mismanagement of the Fertiliser Corporation of India is attributed entirely to the infighting and tension between bureaucrats and technocrats. The author feels that the role of the technocrats has become subservient to that of the bureaucrats since the end of the Nehru era, and the latter, who know little about industry, now occupy all the top jobs in the public sector enterprises or foreclose them as cushy sinecures for their post-retirement period.

Unable to improve the functioning of the public sector and under pressure from private industry, the government is now promoting what has come to be called the joint sector. Erdman's book is a timely and scholarly case study of the emergence and working of the Gujarat State Fertiliser Corporation (GSFC) — perhaps India's first joint sector venture. This study suggests that the birth and evolution of the GSFC as a joint sector venture was difficult and fraught with ambiguities. It came about as a result of circumstantial compulsion rather than through conscious preference. More specifically, it was a paucity of funds that forced the Gujarat government to seek private help which in turn led to the emergence of this corporation in the joint sector. It was managed by a powerful group of outstanding businessmen and officers nominated by the Gujarat government. Among the several factors responsible for the success of this venture the chief was the non-interfering attitude adopted by the Gujarat government. The GSFC was given assurances of considerable autonomy in managing its affairs despite the ample legal and financial bases for very tight state control. The officials nominated to the Board of Directors were expected to be business-minded and the company was expected to earn a profit. Extensive contact, both formal and informal, was encouraged between the industrialist and official directors, which resulted in considerable similarity of outlook, especially in their aversion to 'political' meddling in the venture.

However, the GSFC has not been entirely free from political controversies. While it has lived with petty controversies right from its birth, they have become increasingly menacing of late. In 1971 it was forced by political pressures to adopt most uneconomic pricing decisions. It is often cited as a concrete example of industrialist-government collusion to the detriment of the 'socialist pattern of society'.

It emerges from Erdman's study that the success of such ventures depends not on any particular mix of financial control to be exercised by the private and the public sectors, but rather on the degree of autonomy available to the management of such concerns. This calls for considerable self-restraint by the Central and state governments. However, the tendency to intrude into the affairs of such companies is often very difficult to resist, especially if the governments happen to be weak.



Scheduled Castes in Andhra

Some Aspects of Social Change

Uma Ramaswamy

This paper attempts to examine, with data from census documents, how far the Scheduled Castes in Andhra Pradesh have benefited from the various measures for their advancement.

The author is concerned with the extent to which the Scheduled Castes have left behind their traditional occupation, whether it be scavenging, leather work or agricultural labour, their entry into salaried occupations, particularly government service, and their exploitation of educational opportunities.

It emerges from the discussion that the policy of preferential treatment to Scheduled Castes which has been in practice for over two decades, discounting the pre-Independence period, has barely scraped the surface of the problem. The Scheduled Castes continue overwhelmingly in their traditional occupations in rural areas. Even in the urban areas only a fraction of the posts in the administration which are reserved for them is actually filled. Similarly, they are still stepped in illiteracy and only a small proportion of the population of school-going age actually attends school. Completion of formal education even upto the secondary level is negligible.

THE Scheduled Castes constitute a sizeable and well-defined segment of the population which is backward in a number of ways and for whose betterment systematic efforts have been made. This paper attempts to examine with data contained in census reports, census village monographs and other related documents, how far these castes in the state of Andhra Pradesh have benefited from the various privileges provided for their advancement.

The category Scheduled Castes is at best a legal one. While the wider society may treat them as if they are undifferentiated, there are deep divisions within them in terms of their numerical strength, geographical spread, ritual status and occupation. There are 60 Scheduled Castes in Andhra numbering 44,21,528, or 13.8 per cent of the total population. Two castes, the Malas and Madigas, make up three-fourths of the Scheduled Caste population. Most of the other Scheduled Castes are merely the off-shoots of these two castes. It is interesting to note that none of these castes even found mention in the censuses before 1931 under the category "depressed classes". The mushrooming of Scheduled Castes since then is attributable in large measure to the various privileges extended to them by the British.[1]

The distribution of the Scheduled Castes also varies sharply within the state. Andhra Pradesh is divided into three distinct regions. The Circars, comprising the seven coastal districts, contain some of the most fertile soils. This region has been traditionally prosperous and culturally and politically active. Rayalaseema, containing four districts adjoining Tamil Nadu, has been economically backward. Much the same is true of the nine districts of Telengana which were part of the erstwhile princely state of Hyderabad. Malas are the predominant Scheduled Caste in the Circars whereas the Madigas dominate in Telengana. In the case of Rayalaseema the proportion of the Malas and Madigas is about the same. It is rare to find these two castes equally represented in different areas even within a region.

Contrary to popular notions, not all the Scheduled Castes are untouchable. Untouchability is intimately associated with the pursuit of a defiling occupation but even traditionally there were occupational differences among the Scheduled Castes. As between the Malas and Madigas, it is the latter engaged in leather work who approximate to popular notions. However, not all Madigas are leather-workers. Even as early as 1901 (Census of India 1902: 228-231) just about one-eighth of the working population of this caste was engaged in this defiling occupation. Similarly, weaving, the traditional occupation of

TABLE 1 : CULTIVATORS AND AGRICULTURAL LABOURERS AMONG SCHEDULED CASTES IN RURAL AREAS BY REGION

Region	Total Workers	Cultivators (Per Cent)	Agricultural Labourers (Per Cent)
Circars	10,78,487	14.8	71.0
Rayalaseema	5,11,186	27.8	62.0
Telengana	12,19,833	31.9	51.7
Total	28,09,506	24.6	61.0

Source : Census of India 1964.

TABLE 2 : SIZE OF HOLDINGS OF SCHEDULED CASTE HOUSEHOLDS ENGAGED AS CULTIVATORS

Region	Owner Cultivators		Size of Holding (in acres)				
	Number	As Per Cent of Total Cultivators	0-1 (%)	1-2.5 (%)	2.5-5 (%)	5-15 (%)	15+ (%)
Circars	18,234	69.7	40.8	38.3	13.6	6.7	0.6
Rayalaseema	13,933	76.9	20.7	33.5	20.4	21.7	3.7
Telengana	37,363	82.7	23.4	33.2	20.1	19.7	3.6
Total	69,530	77.7	27.4	34.6	18.5	16.7	2.8

Source : Census of India 1965: 276-278.

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TABLE 3: OCCUPATIONAL MOBILITY AMONG MALAS

District	Total No of Households	Households Changing Over	From: Toddy Tapper	Weaver	Cultivator	Agricultural Labourer	Stone Cutter	Beggar	Forest Guard	To: Agricultural Labourer	Talari	Cultivator	Trader
Nellore	8	4	—	—	1	2	1	—	—	2	1	1	—
East Godavari	26	10	1	—	4	5	—	—	—	8	—	—	2
Nalgonda	2	1	—	1	—	—	—	—	—	1	—	—	—
Nizamabad	23	5	—	—	—	3	—	1	1	4	—	—	1
Adilabad	7	2	—	—	—	2	—	—	—	—	—	2	—
Total	66	22	1	1	5	12	1	1	1	15	1	3	3

Source : Census of India 1964c.

Malas, accounted for a mere 2.5 per cent of the population of this caste. Three-fourths of the Malas and 60 per cent of the Madigas were engaged in agricultural labour. It is then obvious that even in the traditional system the bulk of the Scheduled Castes were engaged in the non-defiling occupation of agricultural labour.

In this paper I am concerned with the extent to which the Scheduled Castes have left behind their traditional occupation, whether it be scavenging, leather work or agricultural labour, their entry into salaried occupations, particularly government service, and their exploitation of educational opportunities. While being concerned with the Scheduled Castes in general, I shall in particular refer to the Malas and Madigas.

I

The predominant occupation of the Scheduled Castes in the rural areas of Andhra, where most of them in any case reside, is agricultural labour. Table 1 gives the proportion of agricultural labourers and cultivators among these castes separately for the three regions. While the overall proportion of agricultural labourers for the entire state is 61 per cent, it is considerably more in the Circars (71 per cent) and least in Telengana (51.7 per cent). The high proportion of agricultural labour in the Circars may be related to the pressure on land and fragmentation of holdings. It is also well known that due to the labour intensive nature of paddy cultivation, paddy growing regions all over the country are able to sustain a high proportion of landless labour. One observes that in the rich alluvial districts of Krishna and East and West Godavari which are almost exclusively paddy-growing 78, 71 and 89 per cent, respectively, of Scheduled Caste workers are agricultural labourers.

Even in agricultural labour it is generally the most arduous type of work which is assigned to them. Beteille (1972: 415) writes, "The most onerous types of work are left to the Harijans. In wet paddy areas, for example, the so-called 'cultivating castes' perform very few of the physically exacting tasks which are done by the Harijans — or as in some parts of West Bengal — by tribal migrants or settlers." This association can be seen in Andhra too. Falling in this category are the attached labourers who are bound to a ryot on an yearly tenure of service. Although there is little evidence of the exact incidence of attached labour, it is worth noting that, according to Reddy (1954: 66-67), practically every upper caste ryot cultivating paddy has an attached labourer from a Scheduled Caste. *Neerukattu* (watering the fields) and *Bandila* (guarding the fields from stray cattle) are two important tasks demanded of them. Besides, a wide variety of services is extracted from the attached labourers. To illustrate, "Each attached agricultural labourer is paid 2 *kundalu* of jowar or paddy per month towards his food and Rs 120 to Rs 200 as annual payment by the cultivator who engages him . . . They have to work in the fields or look after the livestock and engage themselves throughout the day and they feed the cattle and sleep at the cattleshed itself in the nights" (Census of India 1964a: 60).

Often agricultural labourers combine their main occupation with a number of subsidiary ones. The family budget of a Mala household (Census of India 1964b: 43), for instance, shows that besides the Rs 420 earned annually through agricultural labour Rs 50 was earned through the practice of carpentry and Rs 110 by guarding a coconut

TABLE 4 : OCCUPATIONAL MOBILITY AMONG MADIGAS

District	Total No of Households	Households Changing Over	From: Cobbler	Cultivator	Agricultural Labourer	To: Agricultural Labourer	Cultivator	Government Servant	Sweeper
Guntur	3	1	—	—	1	—	1	—	—
East Godavari	2	1	1	—	—	—	—	1	—
Srikakulam	11	5	—	4	1	5	—	—	—
Chittoor	8	2	—	—	2	1	—	1	—
Anantapur	41	3	1	1	1	2	1	—	—
Nalgonda	7	4	2	2	—	4	—	—	—
Nizamabad	37	15	7	2	6	10	2	2	1
Adilabad	6	6	2	1	3	5	1	—	—
Total	115	37	13	10	14	27	5	4	1

Source : Census of India 1964d.

TABLE 5 : REPRESENTATION OF SCHEDULED CASTES IN POLICE SERVICES IN 1966

Rank	Posts Sanctioned	Posts Filled	
		Number	Per Cent
Inspector General, Add Inspector General, Dy Inspector General, Superintendent, Asst Superintendent and Dy Superintendent	169	6	3.6
Circle Inspector, Sub-inspector, Reserve Inspector and Reserve Sub-inspector	2,245	95	4.2
Asst Reserve Sub-inspector, Head Constable and Police Constable	38,183	3,609	9.5
Commandant, Dy Commandant and Asst Commandant	60	1	1.7
Havaldar Major, Havaldar, Naik and Lance Naik	1,145	96	7.1
Total	41,802	3,807	9.1

Source : Government of India 1969 : 286.

TABLE 6 : REPRESENTATION OF SCHEDULED CASTES IN JUDICIAL SERVICES

Posts	1955		1966	
	Sanctioned	Filled	Sanctioned	Filled
Class I	11	—	47	2
Class II	106	1	175	2
Class III	2,186	35	2,690	75
Class IV	1,802	53	3,137	73

Source : Government of India 1969: 287.

garden. In spite of all this the household had to borrow Rs 50 to meet its annual expenditure. What is more, this household did not acquire any assets during the 30 years from 1932 to 1962 except tools and equipment worth Rs 11.

At the level of the state 24.6 per cent of the Scheduled Caste workers are engaged as cultivators. But the proportion of cultivators is more in the arid regions where dry lands are plentiful and productivity low and least in the fertile areas. The proportion is as much as 31.9 and 27.7 per cent in Telengana and Rayalaseema, respectively, but goes down to 14.8 in Circars. While the lot of cultivators is certainly better than that of agricultural labourers it is relevant to ask what proportion of the cultivators own their lands and what proportion are merely tenants or sharecroppers, and further what is the size of their holdings. It once again comes out from Table 2 which is derived from figures given for a 20 per cent sample of households in the 1961 census that the proportion of owner-cultivators is most in the arid regions. Thus while 82.7 per cent of the Scheduled Caste cultivators own land in Telengana, only 69.7 per cent in the Circars do. Correspondingly, the proportion of sharecroppers and tenants to total Scheduled Caste cultivators is more in Circars and less in Rayalaseema and Telengana. The extent of relative deprivation is extended to the size of holdings. The proportion of Scheduled Caste owner-cultivators possessing more than five acres of land is 19 per cent for the entire state. But once again, there is considerable regional disparity. Just 7 per cent own more than 5 acres in the Circars as compared to 25 and 23 per cent, respectively, in Rayalaseema and Telengana. Similarly the acreage of land cultivated by the Scheduled Caste tenants is considerably more in the arid regions.

The occupational pattern of the Scheduled Castes in urban areas is more varied than in the rural. As we shall see, it is in towns and cities that they have taken greater advantage of reservations in secular jobs. Interestingly, it is also in the urban areas that their identification with defiling occupations such as scavenging and leather work is more pronounced than in the villages. Nevertheless, it needs to be noted that even in urban areas the total number taking to such occupations is only a negligible proportion of the Scheduled Caste population.

It is evident from the foregoing discussion that the Scheduled Castes by and large continue to predominate in their traditional occupations, meaning thereby not so much the defiling ones as agricultural labour which they have always performed. There has been minimal mobility away from their traditional occupations. This can be seen from Table 3 based on data on occupational mobility among Malas in seven villages and Table 4 based on similar data for Madigas in eleven villages.

First of all, a majority of the households have not changed their occupation. Whatever mobility there has been is confined to 57 households. Even in these cases the actual variation between the former and present occupation in terms of the nature of work and economic prospects has been minimal. Fifteen out of 22 Mala households which have experienced occupational mobility have taken to agricultural labour which in any case has been the predominant traditional occupation of this caste. It is only with respect to the other seven households which have taken to the occupations of talari, trader and cultivator that there has been any significant change. Similarly, 27 of 37 Madiga households which have changed their occupation have gone over to agricultural labour. One household has taken to sweeping, a menial job. Only nine households which have taken to cultivation have experienced any significant change of occupation.

II

Reservation of jobs in government service has always been a crucial part of the programme for the advancement of these castes. Their emancipation cannot be complete unless they are freed from their degrading occupations and introduced to salaried employment for which they cannot compete with the upper castes in a free market situation. The data regarding the actual representation of the Scheduled Castes in government service in Andhra is at best fragmentary. The Elayaperumal Committee which went into the problems of the Scheduled Castes in 1969 severely censured the state government for its failure to furnish the necessary data in spite of repeated reminders. However, what little information there is indicates certain trends. It is in the urban areas that the Scheduled Castes have gained the most in the field of salaried employment. The census category 'other services'[2] accounts for 30.3 per cent of the Scheduled Caste workers in the urban areas. It needs to be emphasised that the census category 'other services' includes a variety of employments and at least one of them is clearly scavenging. Hence we should not be misled into thinking that one-third of the urban Scheduled Caste population has experienced a sharp upward mobility.

TABLE 7: SCHEDULED CASTE APPLICANTS REGISTERED AND PLACEMENTS EFFECTED BY EMPLOYMENT EXCHANGES IN ANDHRA BETWEEN 1954-1969

Year*	Applicants Registered	Placements Effected (Per Cent)
1954	5,498	10.0
1955	6,800	11.9
1956	12,180	11.0
1957	10,194	8.8
1958	15,500	8.6
1959	21,218	7.9
1960	19,252	8.9
1961	20,287	12.1
1962	23,208	11.3
1963	29,501	10.9
1964	20,790	11.8
1965	18,744	16 1
1967	16,965	7.3
1968	16,700	7.1
1969	18,191	7.7
Total	2,55,028	10.2

* Figures for 1966 not available.

Source: Commissioner for Scheduled Castes and Scheduled Tribes 1954-70.

The Elayaperumal Committee (Government of India 1969) gives combined figures for the Scheduled Castes and Scheduled Tribes regarding employment in government service for the year 1961-62. In the absence of separate data for the Scheduled Castes we can only speak in terms of approximations. The greatest concentration of these castes is in the lowest paid jobs. While they account for 11 per cent of the employees in Class IV jobs with a basic salary of less than Rs 35 a month, their proportion goes down steadily as we move up to the higher categories of employment and is a mere 2 per cent in the gazetted ranks.

A large proportion of reserved posts in fact go unfilled. Table 5 gives the representation of the Scheduled Castes in the police service as of 1966. I have grouped the 17 categories of jobs into five heads and shown the actual number of appointments. Of the 50 posts allotted to them in the rank of superintendent of police and above just one had been filled. The largest number of appointments were in the lowest categories of services. But even in the lowest category 90 per cent of posts went unfilled.

Table 6 gives the representation of Scheduled Caste employees in the judicial services. Once again, the largest number of appointments were in the lowest categories. The proportion of Scheduled Caste employees in Class I and II posts in the judicial service was less than one per cent in 1965. Even in Class III and IV services the Scheduled Caste employees amounted to a bare 2.5 per cent of the total.

There has been a steady increase in the number of job-seekers among these castes over the years. Table 7 indicates that between 1954 and 1962 the number of Scheduled Caste applicants increased more than fourfold. On the average only about 10 per cent of the applicants had been placed in employment. At least part of the blame for this rests with the recruiting authorities. The Elayaperumal Committee (Government of India 1969), for instance, observed, "It is evident... that the Central and state government employers did not notify correctly the number of vacancies to be reserved for the Scheduled Castes. [They] do not specify in their requisition sent to the employment exchanges the number of posts that are to be treated as reserved." The Andhra government was found to be particularly guilty in not fulfilling its constitutional obligation to reserve 14 per cent of the posts in a number of departments. A further reason for the above feature is the lack of qualified candidates. An analysis of the qualification of candidates from these castes on the live registers of employment exchanges reveals that the bulk of them possessed a low level of formal education and few had professional or vocational training. Table 8 gives the educational qualification of Scheduled Caste applicants in four employment exchanges as of December 1960. Non-matriculates account for more than 75 per cent of the candidates. Graduates, on the other hand, amount to less than one per cent.

This takes us on to the education of these people, a most important variable in their emancipation. Their progress in this field, despite extensive efforts, is indeed very slow. Only 10.3 per cent of the Scheduled Castes in the state are literate. The rural population is still way behind its urban counterpart. Among the former, 99.2 per cent is illiterate. A mere 1.9 and 0.1 per cent respectively have primary and matriculate education. But even in the urban population the extent of literacy is only 21.7 per cent. Only 8.2 per cent have primary education and 1.2 per cent are matriculates. Those possessing higher educational qualifications are indeed negligible.

A prominent feature of the educational pattern of the Scheduled Castes is the successive and marked decline in the proportion of students as they proceed from primary and secondary levels to higher education. This, for instance, is reflected in the enrolment of Scheduled Caste students in the educational institutions in Andhra during the year 1965. Whereas their enrolment in primary school is 14 per cent of the total students, it goes down to 9.6 in middle school, 8.2 in higher secondary and 5.4 in higher education (Commissioner for Scheduled Castes and Scheduled Tribes 1969: 162). The NCERT reports that even at the national level upper caste students do not drop out in the same proportion as students from the Scheduled Castes (Commissioner for Scheduled Castes and Scheduled Tribes 1969: 159). The data of seven villages surveyed by the Census of India, 1961, show that of the 303 Mala and Madiga youths in the age group 14 and below, 88 per cent is illiterate and non-school going. Of the literates, 50 per cent have no formal education and the rest have only completed primary school. The reasons for the low proportion of school-goers and the high drop-out ratio appear to be the poverty of the parents and the prevalence of child labour (Census of India 1964e).

TABLE 8 : DISTRIBUTION OF SCHEDULED CASTE APPLICANTS IN SELECTED EMPLOYMENT EXCHANGES BY EDUCATION IN 1960

Employment Exchange	Education			Total
	Graduate	Matriculate	Non-matriculate	
Anantapur	—	33	82	115
Chittoor	1	65	329	395
Kakinada	15	267	475	757
Kurnool	—	51	415	466
Total	16	416	1,301	1,733

Source : Government of India 1969 : 293.

It is also important to note the striking difference between Malas and Madigas in the exploitation of educational facilities. Malas have, by and large, done well for themselves and are educationally way ahead of the Madigas. In the urban areas the rate of literacy among Malas is 26.8 per cent as against 15.8 for the Madigas. Even in the rural areas where literacy is far less there are twice as many literates among Malas as among Madigas. This difference between the two castes is pronounced at every level from primary to higher education. Indicative of this is the relative cornering of scholarships by Malas and certain numerically small Scheduled Castes such as Adi Andhras who are offshoots of Malas. The Malas secured 43 per cent of the total scholarships for Scheduled Caste students in 1968. The Adi Andhras, although a bare 12 per cent of the population, cornered nearly a third. In contrast, the Madigas secured only 22.8 per cent of the fellowships although in terms of their proportion to the total Scheduled Caste population they far exceed the Malas (Commissioner for Scheduled Castes and Scheduled Tribes 1969: 116-117).

The sharp difference between these two castes can be explained in a number of ways. Their regional background has an essential bearing on this question. It is well known that social reform movements aimed at the emancipation of the weaker sections of society have been far more active in the coastal districts where Malas predominate. They were also recipients of preferential treatment under the British. In contrast, Telengana where the Madigas predominate, was part of a princely state where there was no comparable attempt at social reform or deliberate effort at improving their lot.

A further contributing factor lies in the occupational difference between the two castes. If one may hazard a generalisation, the very existence of a secure source of livelihood for which other castes cannot compete, although such an occupation may be low in the hierarchy, is a factor inhibiting the exploitation of secular opportunities for mobility. The Malas who had to compete for agricultural labour with several other castes, besides facing the uncertainties inherent in this occupation, took more readily to formal education than the Madigas who were secure in leather work. Moreover, the Madigas were also involved in jajmani relationships with upper caste landlords which helped to keep them in their traditional occupations. Reddy (1954: 61) observes that the "jajmani system which cultivates a sense of security has itself bred sluggishness in the Madiga, and the lack of it among the Mala drives them to strive at many a job and secure a living in several ways".

III

It emerges from the foregoing discussion that the policy of preferential treatment to Scheduled Castes which has been in practice for over two decades, discounting the pre-Independence period, has barely scraped the surface of the problem. The Scheduled Castes continue overwhelmingly in their traditional occupations in rural areas. Even in the urban areas only a fraction of the posts in the administration which are reserved for them is actually filled. Similarly, they are still steeped in illiteracy and only a small proportion of the population of school-going age actually attends school. Completion of formal education even up to the secondary level is negligible.

Even though the Scheduled Castes as a whole have failed to make significant use of the privileges, some sections among them have been far more enterprising. If the current educational level is at all indicative of the future prospects of these people, it is certain that the Malas would outstrip the Madigas in course of time. It is then likely that the cleavages among the Scheduled Castes which are at the moment barely visible would sharpen and may even lead to the emergence of an elite. I am not here thinking merely of the emergence of a small upper crust of educated and well-placed individuals within caste groups but also of the emergence of status distinctions as between the castes themselves.

Notes

[This paper is based on data collected for an M Litt thesis. I am thankful to Andre Beteille who supervised this research.]

1 For an elaboration of this point, see, Uma Ramaswamy 1973.

2 The census category 'other services' is defined as follows: "This class includes all persons engaged in services like electricity, gas, water and sanitary services, public services, religious and welfare services, legal and business services, trade and labour associations, recreation services, personal services and thus practically covers all such persons who do not fall under any of the 8 industrial categories" (Census of India 1964: 10).

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Working Capital and Credit Needs of Foodgrains Distribution in India

D K Desai

V Ramachandran

This paper attempts to estimate the working capital required for the procurement and distribution of foodgrains. To arrive at the financial requirements for foodgrains distribution, estimates of the marketed surplus are needed. Instead of assuming a certain percentage of the total foodgrains production as the marketed surplus, a different technique was employed to estimate the marketed surplus. Based on the prices and stocks of foodgrains required at the beginning of the months and the marketed surplus of foodgrains, the working capital requirements were estimated for different years.

The estimates of working capital for foodgrains show that the available bank credit met only 38 per cent of the maximum working capital required in 1972-73. Hence bank credit cannot be blamed for making possible the hoarding of foodgrains.

In fact, by not supplying the necessary working capital for foodgrains, the banking system has forced foodgrain distribution to depend on non-banking sources. It has thus increased the cost of financing the working capital and helped the price increase of foodgrains.

POLICIES on procurement and distribution of foodgrains in India have attracted much attention. The policy for wheat has shifted from complete takeover to reinstatement of the wholesalers. In the formation of policies, however, the financial implications to the exchequer do not seem to have been taken into consideration. The general assumption has been that prices of foodgrains rise because of the tendency to hoard on the part of the middleman, hence this tendency should be curbed. At one extreme it was considered necessary to remove the middleman (wholesalers) and manage the distribution of wheat through the public distribution system. But it was subsequently found that the task involved was stupendous, and that it was therefore advisable to allow wholesalers to function under stipulated conditions. Again, no attempt has been made to find out how the wholesalers would finance their operations in the procurement and distribution of foodgrains. The selective credit control policies of the Reserve Bank of India are framed with a view to making it more difficult to obtain credit against a hypothecation of foodgrains. It is necessary to examine the magnitude of the working capital required for the procurement and distribution of foodgrains, and from such an assessment to find out the credit needs. This paper attempts to estimate the working capital requirements of foodgrains — particularly rice, wheat, and coarse grains.

Credit for Foodgrains' Distribution

The data obtained on the advances for food procurement operations from all banks reveal that the major share (75 per cent in 1972) of the bank credit is of the Food Corporation of India (Table 1). The total advances for food procurement varied from Rs 19 crores in January 1966 to Rs 542 crores in June 1972.

The advances for foodgrains procurement formed 5.58 per cent of total bank advances in 1972-73. They fluctuated between 2.9 per cent and 9.66 per cent between March 1971 and July 1973 (Table 2).

Data on advances for foodgrains to the private sector are not available. The sectorwise break-up of advances shows that the advances to wholesale trade, including credit for food procurement, formed 16 per cent of the outstanding advances by the end of April 1973 (Table 3). If the advances for the procurement of foodgrains are deducted from these advances, the percentage of advances to the wholesale trade (including foodgrains) is lowered to 11.4 per cent.

Data on the advances from scheduled banks against the security of foodgrains show that, in June 1972, Rs 316.31 crores were advanced. This formed 6.54 per cent of total advances (Table 4). If it is assumed that these advances were inclusive of the advances given to the private sector, the total advances for foodgrains do not seem to have exceeded 16.2 per cent in 1972. Because of the restrictive policies towards advances against foodgrains to the private sector, the advances to the private sector must have declined since 1972. By 1973, total advances for foodgrains will not have exceeded 15 per cent of total bank advances (Table 2).

To judge whether these advances help hoarding of foodgrains, it would be useful to look into the financial requirements for foodgrains distribution.

To arrive at the financial requirements for foodgrains distribution, estimates of marketed surplus are needed. Techniques used to estimate marketed surplus and its working capital requirement are discussed in this paper.

During the decade of the 1960s, the production of foodgrains varied from 72 million tonnes in 1965-66 to 108 million tonnes in 1970-71. The statistics of foodgrains production for the last three years show that foodgrains production has exceeded 100 million tonnes. Rice and wheat accounted for 66.5 per cent of the total foodgrains production in 1972-73 (Table 5).

Various studies have indicated that the marketed surplus ranges from 30 to 40 per cent of the foodgrains production.[1] Instead of assuming a certain percentage of the total foodgrains production as being the marketed surplus, a different technique was employed to estimate marketed surplus. Thamarajakshi estimated the marketed surplus

TABLE 1: AVERAGE MONTHLY ADVANCES FOR FOOD PROCUREMENT

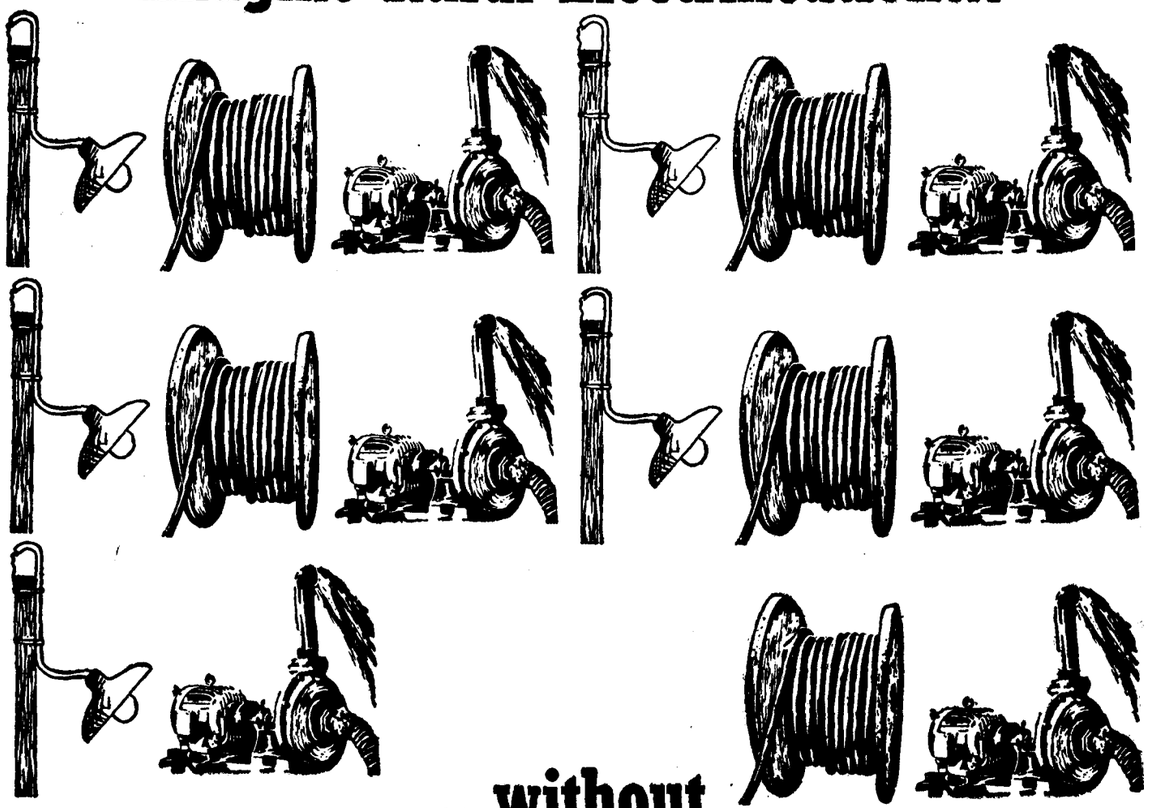
(Rs in crores)

Year	FCI	Total	FCI's Share as Per Cent of Total
1966	—	40.33	—
1967	0.68	29.82	2.28
1968	77.33	137.86	56.09
1969	103.49	167.17	61.90
1970	68.10	132.10	51.55
1971	232.23	318.96	72.81
1972	271.62	363.33	74.75
1973*	264.95	326.44	81.16

Note: * The average is worked out for only 10 months.

Source: Department of Economic Research, Bank of Baroda.

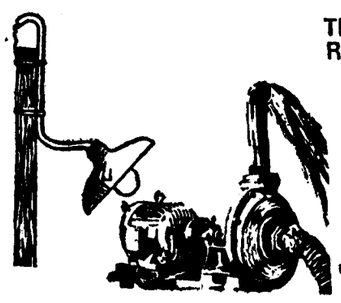
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TABLE 2: ADVANCES FOR FOODGRAINS PROCUREMENT AND TOTAL BANK ADVANCES

(Rs in crores)

Year	Advances: Foodgrains	Advances: Total	Per Cent of Advances for Foodgrains to Total Advances
1970-71	214.40	4,683.83	4.57
1971-72	345.28	5,263.36	6.56
1972-73	339.10	6,066.06	5.58
March 1971	214.40	4,807.52	4.45
October 1971	359.10	4,941.48	7.26
December 1971	368.50	5,168.93	7.12
March 1972	338.50	5,348.66	6.32
June 1972	541.95	5,609.35	9.66
September 1972	357.18	5,292.98	6.74
December 1972	160.57	5,527.58	2.90
January 1973	197.89	5,747.44	3.44
February 1973	298.54	5.783.32	5.16
March 1973	339.10	6,269.34	5.40
April 1973	292.43	6,339.92	4.60
May 1973	377.24	6,440.66	5.85
June 1973	464.19	6,527.53	7.11
July 1973	390.84	6,436.27	6.07

Source: *Reserve Bank of India Bulletins* (January to December 1972 excluding May 1972 and January to September 1973 excluding May 1973). (See current statistics).

TABLE 3: BREAK-UP OF BANK ADVANCES

(Per Cent)

Sector	Advances Outstanding: October-end 1972	Advances Outstanding: April-end 1973
Priority sectors (including small-scale industry)	27.0	23.0
Large and medium industry	48.4	49.0
Wholesale trade (including credit for food procurement and public sector trading agencies)	15.8	16.0
Other sectors	11.8	12.0

Source: 'Annual Report on *Trend and* Progress of Banking in India', *Reserve Bank of India Bulletin (Supplement)*, (August 1973).

on the basis of the expenditure on foodgrains by the non-agricultural sector.[2] The quantities of foodgrains consumed were thus derived from the consumption expenditure on foodgrains. These were then adjusted for the supplies of foodgrains to the non-agricultural sector from imports. An estimate of the marketed surplus from domestic production of foodgrains was thus arrived at. The estimates showed that the percentage of marketed surplus to domestic production varied from 22.3 per cent in 1965-66 to 34.5 per cent in 1955-56.

In the technique used in this paper to estimate marketed surplus, apart from the agricultural population, small cultivators and agricultural labourers have also been included in the population buying foodgrains from the market. Small farmers and agricultural labourers buy foodgrains from the market because (a) small farmers do not produce enough for their consumption and (b) agricultural labourers are not always paid wages in kind.

MODEL FOR MARKETED SURPLUS

The assumptions used for arriving at an estimate of marketed surplus were:

(1) The marketed foodgrains are supplied from domestic production and imports.

(2) The market arrivals from the total domestic production will follow the same seasonal pattern as the market arrivals of foodgrains at the selected markets in India (Table 6).

(3) To arrive at the estimates of the market arrivals by months within the season, the following procedure was used:

(a) Wheat: the pattern was evolved from a study of the monthly average arrivals of wheat in the markets in Rajasthan during 1959-70 (Table 7).

(b) Rice: a normal distribution was assumed for market arrivals from October to December for the kharif production and from January to March for the rabi production. For the rest of the months, a uniform distribution was assumed.

(c) Other foodgrains: a uniform distribution pattern was assumed.

Notations*:

The following notations were used for the model:

N_i = Total population

I_i = Quantity of imported foodgrains

A_i = Availability of foodgrains

C_i = Per capita availability of foodgrains

L_i = Population buying foodgrains

N_{1i} = Non-agricultural population

N_{2i} = Population of cultivators with operational holdings less than 2.02 hectares in size

N_{3i} = Population of agricultural labourers

X_{ik} = Production of a particular type of foodgrain

M_i = Marketed surplus of a particular type of foodgrain

M_i = Total marketed surplus of all foodgrains

Equations:

$$L_i = N_{1i} + 0.5\ N_{2i} + 0.^5 N_{3i}**$$

* Unless otherwise specified
i varies from 1 to 8 years
j Varies from 1 to 12 months
k varies from 1 to 5 types of foodgrains
l varies from 1 to 2 types of foodgrains

** It is assumed that 50 per cent of the total foodgrain requirements of small farmers and agricultural labourers will be met from the marketed surplus.

TABLE 4: SCHEDULED BANKS' ADVANCES AGAINST THE SECURITIES OF FOODGRAINS OUTSTANDING

(Rs in crores)

Outstanding as on	Paddy	Wheat	Other Cereals/ Pulses	Total Foodgrains
June 13, 1969	95.92	91.70	58.77	246.39
June 12, 1970	76.57	77.44	61.91	215.92
December 11, 1970	37.28	70.72	29.01	137.01
June 11, 1971	79.88	101.79	33.65	215.32
June 30, 1972	68.10	265.96	32.75	366.81

Source: *Reserve Bank of India Bulletin*, and Supplements, (August 1973).

TABLE 6: ARRIVALS OF FOODGRAINS AT SELECTED MARKETS IN INDIA

(in thousand tonnes)

Year	Wheat				Rice				Coarse Grain*			
	April-June	July-September	October-December	January-March	April-June	July-September	October-December	January-March	April-June	July-September	October-December	January-March
1967-68	434.4	179.7	134.3	155.5	335.7	187.1	646.5	539.1	416.0	179.3	268.4	307.4
1968-69	6094.2	355.9	192.8	184.9	287.8	183.9	686.1	571.1	569.6	253.6	396.8	382.2
1969-70	1200.4	274.2	189.3	139.6	305.8	229.3	818.1	539.0	413.0	166.9	428.8	308.0
1970-71	1311.0	454.3	304.0	199.5	—	—	—	—	—	—	—	—

* Coarse grain arrivals were calculated by adding the arrivals of jowar, bajra, maize, and barley.
Source: *Bulletin on Food Statistics*, 1971, pp 16-22.

$$C_i = \frac{A_i}{N_i}$$

$$M_{ik} = X_{ik} \times \frac{M^i}{\sum X_{ik}} \text{ where}$$

$$M_i = \sum M_{ik}$$

$$M_i = C_i L_i - X_i$$

The population buying foodgrains from the market is composed of (a) the non-agricultural population, (b) small farmers having operational holdings of less than 2.02 hectares, and (c) agricultural labourers. Only 50 per cent of the foodgrain requirements of small farmers and agricultural labourers will be met by the marketed surplus; the rest will be met from the farm production and wages paid in kind.

The population figures for the years from 1965-66 onwards were arrived at by assuming a 2.466 per cent linear growth with the base year (1961) population as 439.07 million. The non-agricultural population plus half of the small farmers and half of the agricultural population formed 57.7 per cent of the total population of 1971 (Table 8). This percentage was applied to the total population for the different years from 1965-66 onwards, to arrive at the figures of the population buying foodgrains (Table 9).

The per capita availability of foodgrains per day was arrived at by dividing the net availability of foodgrains by the population figures (Table 10). The quantity of foodgrains purchased by the population buying foodgrains was arrived at by multiplying the figures of this population with the per capita availability. From this quantity, imports were subtracted to arrive at the marketed surplus (Table 11). The per cent of the marketed surplus to the total production of foodgrains varied from 44 in 1965-66 to 55.5 in 1969-70 (Table 12). These estimates are very different from those obtained by Thamarajakshi and others.

TABLE 5: PRODUCTION OF FOODGRAINS

(In thousand tonnes)

Year	Total Foodgrains Produced	Rice	Rice Production as Per Cent of Total Foodgrains Produced	Wheat	Wheat Production as Per Cent of Total Foodgrains Produced
1960-61	82,018	34,574	42.15	10,997	13.40
1961-62	82,706	35,663	43.12	12,072	14.59
1962-63	80,151	33,217	41.44	10,776	13.44
1963-64	80,642	36,998	45.87	9,853	12.21
1964-65	89,356	39,308	43.99	12,257	13.71
1965-66	72,347	30,589	42.28	10,394	14.36
1966-67	74,231	30,438	41.00	11,393	15.34
1967-68	95,052	37,612	39.56	16,540	17.40
1968-69	94,013	39,761	42.29	18,651	19.83
1969-70	99,501	40,430	40.63	20,093	20.19
1970-71	108,422	42,225	38.94	23,832	21.98
1971-72	104,656	42,735	40.83	26,477	25.29
1972-73	100,000	40,000	40.00	26,500	26.50

Source: Production figures upto 1969-70 are taken from *Bulletin on Food Statistics*, 1971, p 10. Production figures for 1970-71 and 1971-72 are taken from *Reserve Bank of India Bulletins*, (September 1972 and September 1973) (See Current Statistics). Production figures for 1972-73 are taken from *Reserve Bank of India Bulletin*, Supplement, (August 1973).

WORKING CAPITAL REQUIREMENT

Having obtained the estimates of marketed surplus, the working capital requirements for the marketed surplus can be estimated.

Assumptions

(1) The arrivals of the marketed surplus for different months will be according to the pattern described earlier.

(2) The purchases of foodgrains made by the foodgrains buying population will be uniform in all the months.

(3) The stocks at the beginning of the month required to meet the demand for foodgrains will vary according to the following two situations:

(a) The minimum stocks required to meet the demand of the foodgrains buying population at least for 60 days; and

(b) The minimum stocks required to meet the demand of the foodgrains buying population at least for 90 days.

TABLE 7: MONTHLY AVERAGE ARRIVALS OF WHEAT IN THE MARKETS IN RAJASTHAN: 1959 TO 1971

Month	Wheat Arrivals (quintals)
January	4115.16
February	3621.14
March	6923.39
April	7504.13
May	20102.89
June	25039.55
July	7363.03
August	5058.83
September	3845.29
October	4181.09
November	4210.69
December	3513.47

Source: K K S Chauhan and R V Singh, (Udaipur: University of Udaipur S K N College of Agriculture) 1973, p 167.

Class of Workers	Total Workers (millions)	Percentage to Total	Population Corresponding to These Workers (millions)	Percentage of Population Buying Foodgrains to Total Population in Column 4	Population Buying Foodgrains (millions)	Population Buying Foodgrains as Percentage of the Total Population
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Cultivators	78.7	42.9	234.64	31.16*	73.11	13.4
Agricultural labourers	47.3	25.8	141.02	50.00	70.50	12.9
Other workers	57.6	31.3	171.74	100.00	171.74	31.4
Total	183.6	100.0	547.4	—	315.35	57.7

* Percentage of cultivators having operational holding size less than 2.02 hectares was 62.31 according to 1971 census. 50 per cent of their purchase was assumed to be from the open market.
Source: Basic data taken from *Indian Agriculture in Brief*, (September 1971), p 6.

TABLE 9: POPULATION BUYING FOODGRAINS

(in millions)

Year	Total Population	Population Buying Foodgrains*
1965-66	483.42	278.40
1966-67	493.25	284.64
1967-68	504.08	290.90
1968-69	514.91	297.15
1969-70	525.74	303.40
1970-71	536.57	309.65
1971-72	547.40	315.90
1972-73	558.23	322.15

* Population buying foodgrains formed 57.7 per cent of the total population.

The quantities required for these two situations will vary considerably and the finances required for these stocks will form the working capital requirements for foodgrains distribution.

(4) It is assumed that the cost of handling, storage, and marketing of foodgrains will be covered by the prevailing wholesale prices.

(5) The prices of foodgrains for different months were calculated as follows:

The prices prevailing in January 1971 were obtained for different foodgrains. The wholesale price indice of wheat, rice, and cereals for different months and different years were obtained. Using these prices indices, the actual prices for different foodgrains were calculated.

MODEL FOR ESTIMATION OF WORKING CAPITAL

Based on the prices and the stocks of foodgrains required at the beginning of the months, the working capital requirements were estimated. The notations used for the model to estimate the working capital requirements were:

R_{ijk} = Arrival of foodgrains

TABLE 10: POPULATION, NET AVAILABILITY, AND PER CAPITA AVAILABILITY OF FOODGRAINS

Year	Population (million)*	Net Availability (thousand tonnes)**	Availability Per Capita Per Day (gm)
1965-66	482.42	75,478	417
1966-67	493.25	73,889	410
1967-68	504.08	86,716	471
1968-69	514.91	85,721	457
1969-70	525.74	89,447	466
1970-71	536.57	97,033@	509
1971-72	547.40	93.774@	480
1972-73	558.23	89.566@	452

* The population figures were arrived at by assuming a 2.466 per cent linear growth, with the base year (1961) population as 439.07 millions.
** The net availability figures are taken from *Bulletin on Food Statistics* (1971), p 163.
@ From the production figures, net production was worked out as given in Footnote 2 in *Bulletin on Food Statistics* (1971), p 163. To this were added the figures of net imports.

Equations:

D_{ijk} = Purchase of foodgrains by the foodgrains buying population

Z_{ijkl} = Minimum stock of foodgrains at the beginning of the month

P_{ijk} = Price of foodgrains

V_{ijkl} = Value of Z_{ijkl}

$$R_{ijk} = r_j (M_{ik}) \ldots \text{where } r_j < 1$$

$$D_{ijk} = \frac{1}{12} (M_{ik})$$

$$Z_{ijkl} = F(R_{ijk}, D_{ijkl})$$

$$V_{ijkl} = P_{ijkl} \times Z_{ijkl}$$

TABLE 11: MARKETED SURPLUS OF FOODGRAINS

(in thousand tonnes)

Year	Foodgrains Bought by the Population Buying Foodgrains	Net Imports of Foodgrains	Marketed Surplus
1965-66	42,734	10,311	32,423
1966-67	42,597	8,659	33,938
1967-68	50,010	5,671	44,339
1968-69	49,566	3,824	45,742
1969-70	51,605	3,563	48,042
1970-71	57,528	2,758	54,770
1971-72	55,300	2,054	53,246
1972-73	53,097	2,446	50,651

Source: Net imports figures are taken from *Bulletin on Food Statistics*, (1971), p 163.

R_{ijk} the market arrival of a particular type of foodgrain for a particular month in a particular year is dependent on the total market surplus and the pattern of market arrivals. The patterns of market arrivals for different types of foodgrains are described earlier. D_{ijk} the purchase of a particular type of foodgrain for a particular month in a particular year is assumed to be one-twelfth of the total marketed surplus. Z_{ijkl} is a buffer stock required to meet the demand of foodgrains for varying conditions.

Interpretation of Results

In the model for working capital, two situations were assumed. These were:

(1) The stocks of foodgrains at the beginning of each month will be sufficient to meet the demand of foodgrains at least for a period of 60 days. As the total marketed surplus from the domestic production was based on the total annual purchase of foodgrains and the monthly purchase pattern was assumed to be uniform, the initial stock at the beginning of the year will be at least equal to next two month's purchase of foodgrains. The stocks at the beginning of other months will be this initial stock plus the difference between the arrivals and disposal of foodgrains for the subsequent two months.

(2) In the second situation, the initial stocks should meet the demand for at least 90 days. The stocks at the beginning of other months will be this initial stock plus the difference between the arrivals and disposals of foodgrains for the subsequent three months.

The values of these stocks at the prevailing wholesale prices indicate the working capital requirements. The monthly requirements of working capital for 1972-73 for 60-day and 90-day inventories are given in Table 13. For a 60-day inventory the maximum working capital requirement was Rs 1,909 crores in July 1972 and the minimum working capital requirement was Rs 973 crores in October 1972. For a 90-day inventory the maximum and minimum requirements of working capital were Rs 2,401 crores in June 1972 and Rs 1,355 crores in September 1972. From December 1972 to March 1973 the monthly working capital requirements for 60-day and 90-day inventories remained at a stable level with minor fluctuations.

Table 12: Percentage of Marketed Surplus to the Total Production

Year	Total Domestic Production	Marketed Surplus	Percentage of Marketed Surplus to Total Domestic Production
1965-66	72,347	32,423	44.8
1966-67	74,231	33,938	45.7
1967-68	95,052	44,339	46.6
1968-69	94,013	45,742	48.6
1969-70	99,507	48,042	55.5
1970-71	108,422	54,770	50.5
1971-72	104,656	53,246	50.9
1972-73	100,000	50,651	50.7

Source: Production figures upto 1969-70 are taken from *Bulletin on Food Statistics*, 1971, p 10. Production figures for 1970-71 and 1971-72 are taken from *Reserve Bank of India Bulletins*, (September 1972) and (September 1973) (See Current Statistics) Production figures for 1972-73 are taken from *Reserve Bank of India Bulletin*, Supplement, (August 1973).

Table 13: Working Capital Requirements for Total Foodgrains During 1972-73

(Rs in crores)

Month	60-day Inventory	90-day Inventory
April	1250.92	1,779.46
May	1409.98	2,107.35
June	1830.24	2,400.61
July	1909.06	2,288.58
August	1601.38	1,759.9
September	1142.45	1,355.17
October	973.46	1,405.2
November	1245.4	1,713.67
December	1500.7	1,912.91
January	1551.91	2,000.95
February	1559.02	1,971.88
March	1578.13	2,016.59

Table 14: Working Capital Requirements for Foodgrains Distribution (Based on a 60-Day Inventory)

(Rs in crores)

Year	Wheat			Rice			Coarse Grains			Total Foodgrains		
	Maximum	Minimum	Average	Maximum	Minimum	Average	Maximum	Minimum	Average	Maximum	Minimum	Average
1965-66	276.15	51.45	172.32	418.62	1.97	223.78	140.76	16.67	82.91	601.54	234.65	479.02
1966-67	338.86	56.90	225.28	510.66	2.45	279.96	178.24	20.41	104.49	779.90	297.73	609.73
1967-68	723.28	119.08	422.47	704.00	3.87	413.57	303.04	33.51	163.92	1,410.15	578.52	999.98
1968-69	724.86	134.60	467.84	750.61	4.25	447.56	258.23	29.41	140.71	1,400.39	638.23	1,056.13
1969-70	964.57	165.60	602.89	896.65	4.88	522.06	327.73	36.41	180.90	1,741.94	788.64	1,305.87
1970-71	1021.35	194.97	632.91	852.09	4.73	509.42	332.14	35.47	179.43	1,787.85	827.56	1,321.77
1971-72	1099.71	207.20	704.85	914.02	4.92	527.12	266.55	30.82	151.11	1,814.75	917.40	1,383.09
1972-73	1162.12	208.58	749.30	1006.73	5.35	553.41	276.42	33.40	159.99	1,909.06	973.46	1,462.72

Table 15: Working Capital Requirements for Foodgrains Distribution: (Based on a 90-day Inventory)

(Rs in crores)

Year	Wheat			Rice			Coarse grains			Total Foodgrains		
	Maximum	Minimum	Average	Maximum	Minimum	Average	Maximum	Minimum	Average	Maximum	Minimum	Average
1965-66	341.89	45.78	197.36	625.73	29.82	334.73	186.30	25.01	111.21	822.06	349.41	643.31
1966-67	419.53	74.60	253.29	763.31	36.55	418.43	231.82	30.61	140.64	1,042.40	422.37	812.37
1967-68	895.46	104.95	485.30	1,052.31	60.95	613.92	387.22	50.26	218.21	1,773.51	839.56	1,317.45
1968-69	897.41	126.45	534.66	1,082.84	64.70	663.41	340.85	44.12	188.45	1,827.01	928.05	1,386.53
1969-70	1,194.19	177.90	686.49	1,340.28	74.77	776.34	418.77	54.62	241.88	2,247.06	1,133.12	1,704.73
1970-71	1,264.49	168.69	726.90	1,273.68	72.43	756.34	436.44	53.21	240.11	2,339.87	1,177.16	1,723.37
1971-72	1,361.49	196.10	805.81	1,366.25	75.65	784.89	351.79	46.23	202.52	2,334.26	1,293.8	1,793.25
1972-73	1,438.76	217.02	851.84	1,504.82	80.37	826.44	360.07	50.10	214.40	2,400.61	1,355.17	1,892.69

Table 16: Available Credit and Working Capital

(Rs in crores)

	1969-70	1970-71	1971-72	1972-73
Available Credit	595.7	702.6	790.2	909.9
Situations				
Working Capital based on a 60-day inventory				
Maximum	1,741.94	1,787.85	1,814.75	1,909.06
Minimum	788.64	827.57	917.41	973.46
Average	1,305.87	1,321.77	1,383.09	1,462.72
Working Capital based on a 90-day inventory				
Maximum	2,247.06	2,339.87	2,334.26	2,400.61
Minimum	1,133.12	1,117.16	1,293.80	1,355.17
Average	1,704.73	1,723.37	1,793.25	1,892.69

Table 17: Working Capital Requirements for Wheat During 1972-73

Month	60-Day Inventory	90-Day Inventory
April 1972	208.59	312.88
May	429.57	136.40
June	917.78	1,239.00
July	1,162.12	1,438.76
August	1,149.97	1,380.63
September	1,032.77	1,207.99
October	934.70	1,057.71
November	842.24	909.35
December	762.12	710.95
January 1973	665.34	588.80
February	523.14	372.60
March 1973	363.34	217.03
Average	749.31	851.84

The maximum working capital required for foodgrains as a whole during a year varied from Rs 602 crores in 1965-66 to Rs 1,909 crores in 1972-73, while the minimum working capital required varied from Rs 234 crores in 1965-66 to Rs 973 crores in 1972-73.

In Table 15, data are presented with the base of inventory changed from 60 to 90 days. For a 90-day inventory, the average working capital required varied from Rs 643 crores in 1965-66 to Rs 1,892 crores in 1972-73. The maximum working capital required for a 90-day inventory in 1972-73 (which was the highest in the eight years considered) was Rs 2401 crores. The minimum working capital required for a 90-day inventory in 1972-73 (which was the highest in the eight years considered) was Rs 1355 crores.

Relationship of Bank Credit with Working Capital Requirements for Foodgrains

If it is estimated that on an average 15 per cent of the total bank advances were available for foodgrains, the credit available from 1969-70 to 1972-73 would be as shown in Table 16.

The data of credit available during the last four years show that the average requirement of working capital for a 60-day inventory cannot be met. At most, the minimum requirement of the working capital can be met. For a 90-day inventory, the credit available cannot meet even 50 per cent of the average requirement of working capital.

If the estimates of working capital requirements are near reality and if the available credit for foodgrains does not exceed 15 per cent of the total bank advances, it implies that the private sector meets the additional requirement from the non-banking source. This additional requirement amounts to a minimum of Rs 445 crores and a maximum of Rs 1,491 crores in 1972. The cost of finance from the non-banking sources is likely to be much higher than the cost from the banking sources. Is it a wise policy to force foodgrains distribution to depend on the non-banking sources? Does the selective credit control on fodgrains achieve the objective of bringing down foodgrain prices? By providing adequate credit to foodgrains business it is possible to bring better discipline and control on the stocks and the tendency to hoard can be curbed. It will also decrease the cost of financing.

Take-over Foodgrain Trade

At the time of wheat take-over, no estimates of the working capital requirements seemed to have been made. The working capital requirements for 1972-73 according to these estimates are given in Table 17.

In 1972-73, the average working capital required for wheat for a 60-day and 90-day inventory was Rs 749 and Rs 852 crores, respectively. For a 90-day inventory, the average working capital requirement for wheat is 94 per cent of the available credit of Rs 910 crores for foodgrains as a whole. Based on the past figure if a projection of the working capital required in 1973 was made when the policy of the wheat trade take-over came into operation, its implication on the banking system would have been obvious. In a way the non-implementation of the policy of wheat trade take-over has saved the situation.

Conclusions

The estimates of working capital for foodgrains clearly indicate that the available bank credit met only 38 per cent of the maximum working capital required during 1972-73. Hence bank credit cannot be blamed for boosting the hoarding of foodgrains. By not supplying the legitimate working capital for foodgrains, the banking system has forced foodgrain distribution to depend on non-banking sources and has thus increased the cost of financing working capital and helped the price increase of foodgrains.

Notes

1 Ralph W Cummings, Jr, "Buffer Stocks", Seminar on Foodgrains Buffer Stocks in India, (Seminar Series VIII; Bombay, Indian Society of Agricultural Economics, 1969), pp 49-84.

2 Thamarajakshi, 'Prices, Production and Marketed Surplus of Foodgrains in the Indian Economy, 1951-52-1965-66', *Agricultural Situation*, 25, 10, (June 1970), pp 1047-1052.

Bank of Maharashtra

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Directors' Report for the Year 1973

1973 WAS one of the most difficult years for the country since Independence. On the agricultural front despite the crash programme and other steps taken by the government, serious imbalances between aggregate demand and aggregate supply prevailed in the economy. Production in industries sector recorded a slow rate of growth mainly due to widespread power shortage, inadequate supply of critical raw materials, labour troubles and transport bottlenecks.

The resources position of the banks remained buoyant during the major part of the year. The Indian banking system recorded a sharp increase in credit in 1973 as against sluggish demand in the previous year.

Thanks largely to the normal monsoon in Maharashtra, which is the principal area of our operation, the year 1973 has proved to be a better one than the previous from our point of view. The working of the Bank during 1973 resulted in a net profit of Rs 16.8 lakhs as compared to about Rs 14.0 lakhs in 1972. In appropriating the net profit, a sum of Rs 4.0 lakhs was transferred to the Reserve Fund and Rs 10.5 lakhs for the provision of gratuity. Unlike 1972, the Board of Directors have been able to earmark Rs 2.3 lakhs to be paid to the Government of India as residual amount from out of the Bank's profits after making all the necessary provisions.

The Bank has a significant percentage (41 per cent) of priority sector advances as against about 25 per cent for all the public sector banks. This is no doubt a welcome feature in the Bank's working, but its effect on our profitability cannot be overlooked. The Board of Directors hope that the Reserve Bank will consider this aspect of the credit facility to the priority sectors and provide certain incentives to the banks providing credit facilities to this sector above a certain level.

The year witnessed a further intensification in the deposit mobilisation efforts, as reflected in the substantial rise in deposits of the Bank. The total deposits of the Bank reached Rs 175.1 crores by the year end (Table A).

Component-wise, the fixed deposits showed the highest buoyancy showing an increase of 23.9 per cent as against 15.1 per cent in 1972. The tempo of growth in savings bank deposits slowed down marginally from 21.3 per cent to 21.0 per cent in 1973. The rate of growth of current deposits was considerably low at 8.6 per cent to 19.9 per cent in 1972.

The new deposit schemes introduced by the Bank in the recent past like the Annuity Deposit, Cumulative Deposit and Lokmangal Daily Deposit scheme have shown impressive progress during the year. The growth in the number of accounts under these schemes reflects the satisfactory service that the Bank has been able to render not only across the counter but also at the doors of the depositors. The number of accounts under these schemes increased by about 6,000 to reach upto 16,000. Simultaneously the amount increased from Rs 1.7 crores to reach Rs 6.9 crores.

The Bank's advances during the year increased from Rs 90.4 crores in 1972 to Rs 20.8 crores. The increase over last year amounted to Rs 30.4 crores or by 33.6 per cent.

(Rupees in crores)
(No of accounts in lakhs)

	1971	1972	1973
Accounts	37	53	80
Amount	81.82	90.40	120.75

There was a significant increase in our assistance to the priority sectors registering a rise of Rs 13.5 crores or 37.1 per cent during the year. Of the total credit expansion of Rs 30.4 crores in 1973, the advances to priority sectors accounted for Rs 13.5 crores or 44.5 per cent of the total. The magnitude of credit apart, the number of persons benefiting through the Bank's assistance to these sectors grew significantly from 31,910 at the end of 1972 to 53,898 at the end of 1973 representing a rise of 68.9 per cent as compared to 47.5 per cent in 1972. The priority sectors accounted for 67.7 per cent of the total number of borrowal accounts. The details are given in Table B.

The notable feature about our agricultural advances is that of the total increase in the number of accounts, almost 93 per cent were under direct finance. The Bank continued its policy of giving special attention to small farmers. Efforts were directed towards financing the development of land and thereby increase the productivity. The Bank actively participated in the crash programme of digging wells sponsored by the State Government and also by the World Bank in Aurangabad district. Loans amounting to Rs. 7.49 crores were sanctioned to the Maharashtra State Electricity Board under its Rural Electrification Scheme in Poona and Satara districts.

The Bank's participation in the social experiment to eradicate poverty in the tribal areas of Thana district in collaboration with 'Bhumiputra Pratishthan', an enlightened social organisation, deserves special mention. Bank has provided finance at Manor in Thana district to the tribals, who are marginal farmers, for digging wells, development of land, purchase of oil engines, electric motors and power tillers. The Pratishthan provides these farmers with inputs and technical guidance. The farms are supervised regularly by their volunteers and new experiments encouraged. The innovation has succeeded in reducing the dominance of money lenders in this area. The Bank and Pratishthan are endeavouring to use these experiences as a model at other

TABLE A

(Rupees in crores)
(No of accounts in lakhs)

Category	1971		1972		1973	
	A/cs	Amount	A/cs	Amount	A/cs	Amount
Current	0.38	20.5	0.47	24.6	0.47	26.7
Savings	5.42	43.8	6.53	58.1	7.91	64.2
Fixed	1.70	58.9	2.02	67.9	2.40	84.1
Total	7.50	123.2	9.02	145.6	10.78	175.1

TABLE B

(Rs in crores)

Category	1971			1972			1973		
	A/cs	Total Outstandings	Percentage	A/cs	Total Outstandings	Percentage	A/cs	Total Outstandings	Percentage
Agriculture	10765	6.54	19.82	13850	7.49	20.60	21821	11.73	23.53
Small-scale Industries	5326	17.87	54.15	6430	19.08	52.47	9211	23.06	46.26
Transport Operators	630	0.96	2.91	892	1.14	3.14	1791	1.82	3.65
Retail Trade, Professionals, Self-employed, Students, etc	4843	4.00	12.12	10548	5.15	14.16	20851	8.18	16.41
Export	71	3.63	11.00	190	3.50	9.63	224	5.06	10.15
Total	21635	33.00	100.00	31910	36.36	100.00	53898	49.85	100.00
Total Bank Credit		82.77			90.37			120.75	
Priority Sector credit as percentage of total Bank credit		39.86			40.23			41.28	

places where similar conditions prevail.

Similarly the Bank agreed to finance the various schemes of Maharashtra State Co-operative Tribal Development Corporation. The Bank in consultation with the Forest Department of Government of Maharashtra prepared a scheme of giving bullock carts, to drought-affected people from Nasik district who migrated to Chandrapur, for the transport of forest products.

The Bank's assistance to small-scale industrial units continued to grow during 1973. The number of units assisted by the Bank went up from 6430 in 1972 to 9211 in 1973, an increase of 43.2 per cent. The outstandings reached upto Rs 23.1 crores with a growth rate of 20.9 per cent which was significantly higher than the one recorded in 1972 (6.8 per cent). The Bank has established a small cell of technical officers to expedite and facilitate the technical appraisal of credit applications.

Credit disbursed to other weaker sections of the society such as retail traders, small businessmen, professional and self-employed persons, artisans, etc, increased in aggregate by Rs 3.0 crores to Rs 8.2 crores, the number of accounts going up by about 10,300.

As a part of our social responsibility, a scheme of financial assistance to educated unemployed to set up their own enterprises was taken up in collaboration with the regional development corporations set up by the Government of Maharashtra.

The Differential Interest Rate Scheme is designed to help indigent and economically backward sections of the community by providing credit at a concessional rate to help them to improve their economic condition through an increase in their earning capacity. The scope and coverage of the scheme was widened by the Government of India during the year. The scheme is now implemented through 165 branches in 23 districts in three states and one Union Territory. The Bank has registered a steady progress in 1973 which can be seen from the following ing table:

(Rs in lakhs)

Year	Accounts	Amount
1972	313	0.78
1973	4813	19.30

The Lead Bank Scheme was conceived as a right approach to creative banking. As a first step towards fulfilling the objective of providing integrated banking facilities, the Bank not only extended the network of its own branches but also encouraged the other banks to open their branches.

The Bank is well aware that the newly opened branches should not remain mere flagposts. The district-level consultative committees have been set-up in all the districts and they have been meeting regularly for the last two years. Steps are being taken to make them more effective. Reorientation of the staff engaged in the district is very essential for the success of the Lead Bank Scheme. As a step towards achieving this, special week-end courses for agents and field officers of our branches were conducted at Satara, Aurangabad, Thana and Nasik during the year.

The Bank continued to lend support to Government's planning efforts by subscribing to government and other trustee securities to the extent of Rs 46.7 crores in 1973. The total investments increased by 10 per cent to Rs 51.1 crores.

After a very big stride in the branch expansion in the immediate post-nationalisation period, the Bank had to consolidate its position and review its future course of expansion. The changes in the distribution of its branches can be seen from Table C.

Starting with mere 47 branches at the time of nationalisation, the Bank has opened the largest number of its branches in the lead districts. Of the 197 branches opened in the post-nationalisation period, 110 branches were in the lead districts. At the end of 1973, the number of branches in lead districts was 157.

The growing size and complexity of the Bank's activities and the mounting expectations of the society has made the adoption of an appropriate system to ensure effective management of business inevitable. Performance budgeting as a tool of planning and control has come to occupy a vital role in business strategy. Conscious of the prominent role it wants to play in future, the Bank has initially introduced the performance budgeting system

TABLE C

Population Category	1971		1972		1973	
	Offices	% to Total	Offices	% to Total	Offices	% to Total
Metropolitan	31	11.0	40	12.5	47	13.4
Urban	59	21.0	66	20.6	80	22.9
Semi-urban	83	29.6	91	28.3	95	27.1
Rural	100	38.4	124	38.6	128	36.6
Total	281	100.0	321	100.0	350	100.0

in its two lead districts, *viz*, Thana and Aurangabad and plans to extend this system to all the branches in a phased manner.

Shri C V Joag retired as the Chairman and Managing Director of the Bank and Shri V M Bhide took over charge of the office with effect from October 1, 1973. The Board of Directors take this opportunity to place on record their appreciation of the services rendered and the able guidance given by Shri Joag in managing the affairs of the Bank.

The Board meetings were also held at Satara and Aurangabad during 1973. These meetings helped the members of the Board to have a better idea of local problems.

The process of reorganising the Bank's administrative set-up took further shape during the year. The functions at the Central Office have been reorganised and in the field, during the year, the divisional offices were strengthened by appointing supporting staff in the executive cadre to help the divisional managers in the office as well as in developmental activities.

The total staff strength of the Bank has more than doubled between 1969 and 1973, from 2,999 to 6,035, as a result of the large number of branches opened during the period and the growth of business at existing branches. By the end of 1973, there were 1,194 offices, 110 special assistants, 3,214 clerks and 1,517 subordinate staff.

The expansion in the branch network and diversification in activities demand a continuous flow of trained staff. Considering the need for adequate trained manpower for the development of business, the Bank had to augment training facilities by arranging crash training programmes and organising refresher courses to make the best use of the available manpower resources.

The relations between the staff and the management were cordial throughout the year. Frequent deliberations were held with the representatives of the employees to discuss and solve issues affecting service conditions of the employees.

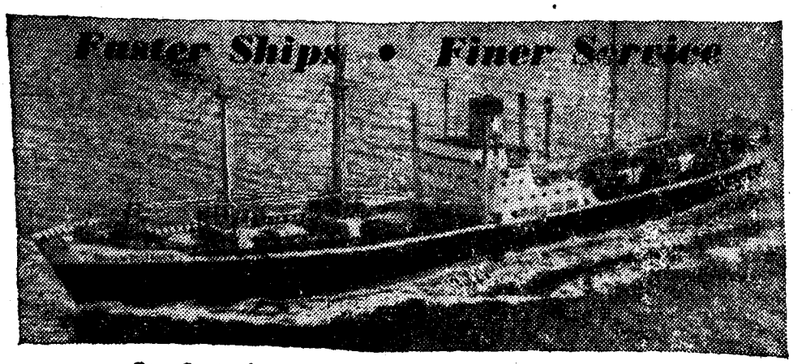
For and on behalf
of the Board of Directors,

V M BHIDE
Chairman and Managing Director

Poona May 16, 1974

HIGHLIGHTS

		(Rs in lakhs) 1972	1973
1	Capital	149	149
2	Reserve Funds and other Reserves	77	81
3	Deposits and other Accounts	14555	17505
4	Advances	9041	12075
	of which to Priority Sectors	3636	4985
	i) agriculture	749	1173
	ii) small-scale-industries	1908	2306
	iii) exports	350	506
	iv) small business	42	102
	v) Professional and self-employed	122	272
	vi) Retail trade	344	435
5	Investments	4650	5112
6	Working funds (Deposit plus capital and reserves)	14781	17735
7	No of Offices	321	350
8	No of employees	5583	6035
	FOR THE YEAR		
9	Total Income	1113	1391
10	Total Expenditure	1096	1374
11	Net Profit	17	17
	RATIOS		Percentage
12	Credit: Deposits	62.09	68.84
13	Priority Sectors: Total Credit	40.23	41.28

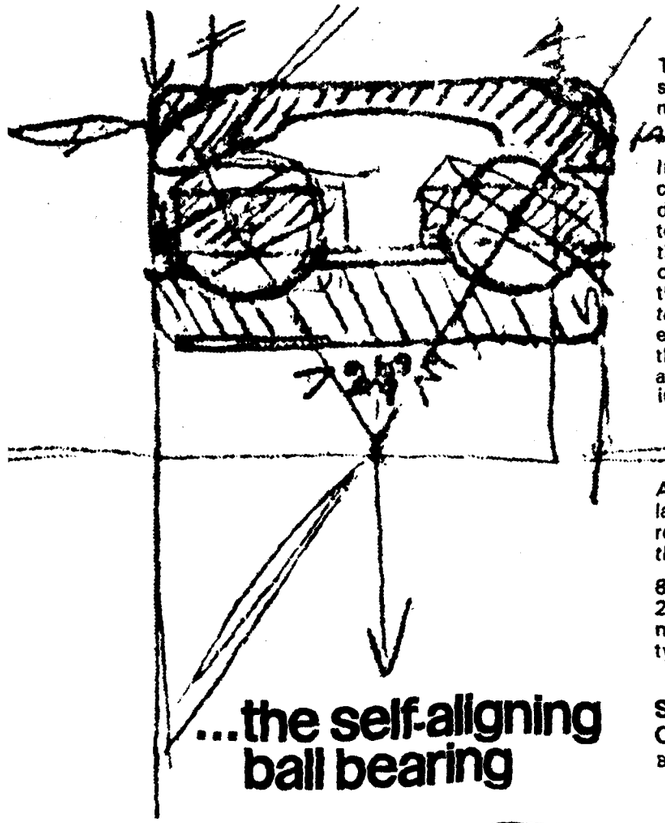


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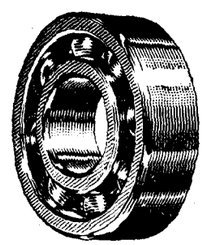
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HEAVY POWER LEAKAGES

UNPRODUCTIVE RESEARCH EMPIRES

AGRICULTURE: WHISTLING IN THE DARK

Orissa offers two new places of interest to industrial site-seers



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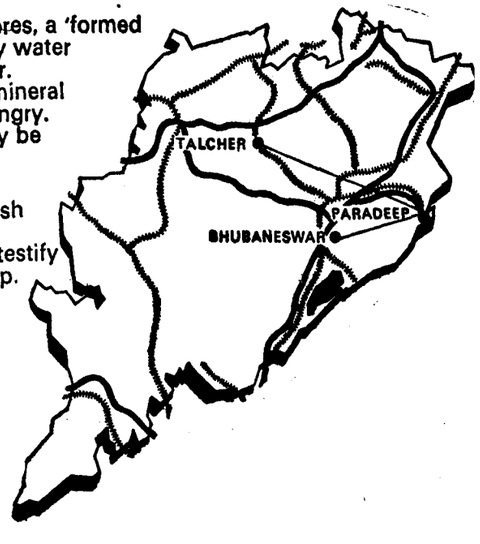
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Founder-Editor: Sachin Chaudhuri

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Shadow-Boxing

THE government has been talking of a package of anti-inflationary measures, which it is unwrapping bit by bit. Of the measures announced so far, only the ordinance impounding increases in wages and dearness allowances can be expected to have an impact, though this impact will be felt more in terms of hardship caused to salary and wage earners than of any perceptible effect on the inflationary situation. The other measures — the restriction on dividend distribution by companies and the compulsory deposit scheme for income-tax payers with annual incomes of Rs 15,000 and above — are obviously intended to deceive salary and wage earners, and their trade union organisations, into believing that the rich are being made to share the burden of fighting inflation.

The next weapon to come out of the government's anti-inflation armoury will be, we have been told, the supplementary budget to be presented to Parliament at the end of this month. There is some more deception in this, but of a different kind. It has been obvious for quite some time that the government would be forced to come forward with a supplementary budget to raise additional revenue — unless it was prepared to see the budgetary deficit rise to many times the figure of Rs 125 crores indicated in the Budget for the year presented at the end of February. The government itself had appointed two committees to consider ways of pruning Plan and non-Plan expenditure so as to ensure that the budgetary deficit did not exceed Rs 125 crores. These committees have reportedly completed their work and come to the altogether predictable conclusion that while some Rs 200 crores could be lopped off the outlay on the annual Plan for 1974-75, there was no scope at all for any paring of non-Plan expenditure. On the contrary, the non-Plan expenditure of the government is threatening to far exceed the original Budget estimates.

It has been reported that even with the cut of Rs 200 crores in Plan expenditure, the budgetary deficit in 1974-75 is likely to be in the region of Rs 600 crores. This implies a net deterioration of about Rs 675 crores in the government's budgetary position over the estimates of the February Budget. The largest contribution to this deterioration must necessarily be that of a sharp rise in non-Plan expenditure over the Budget estimates. A part of the increase in non-Plan expenditure is no doubt the result of such expenditure having been wilfully understated in the Budget — so as to keep the figure of deficit at the impressively low level of Rs 125 crores. A part can perhaps be attributed to the rise in prices subsequent to the framing of the original Budget estimates.

Even if the government would rather not admit to the deliberate underestimation of expenditure in the Budget, the best face it can put on the sharp rise in non-Plan expenditure is that this has occurred because of the rise in prices. And, insofar as the supplementary budget is being presented to raise the wherewithal to meet this increase in expenditure, it must be seen as the consequence of inflation and cannot, surely, be counted among the measures being taken to curb inflation. This will be so even if the Finance Minister proposes substantial additional taxation, as he necessarily will have to do. Indeed, if the figures quoted above are anywhere near the mark, even a mighty tax effort in the supplementary budget will not help to keep the deficit down to the original estimate of Rs 125 crores. That apart, as we have seen, the proportion of Plan expenditure in the government's total expenditure has fallen sharply over the estimates of the February Budget, as a result both of a cut in Plan expenditure and of a steep rise in non-Plan expenditure. This, even the government will agree, can scarcely be deemed a contribution to checking inflation.

Nor can the government expect to perform any anti-inflationary miracles through the precise manner in which it raises the additional revenue required to meet the rise in non-Plan expenditure. Not that there is much room for play here. A large part of the additional revenue will necessarily come from indirect taxes on so-called semi-luxury items. It is known well enough that these taxes hardly dampen either the consumption of these goods or the investment in their production. Purely from a revenue-raising standpoint, there is considerable scope for mopping up a part of the manufacturers'/traders' super profits on products like steel, cement, fertilisers and a number of chemicals. As for direct taxes — at least those on personal incomes —, the February Budget's proposals were based on the presumption that the rates of personal taxation were too high and needed to be lowered. Is the government prepared to go back on this approach? If it is, then it can straightaway recoup an estimated annual loss of Rs 100-125 crores by returning to the earlier rate structure for taxation of personal incomes.

However, even the most steeply progressive tax system can have an impact on inflation only *via* the tax revenues being used for investment to enlarge flow of wage goods. But in fact what is being proposed is a cut in investment!

Even as the government has made much of so-called measures which have either nothing to do with inflation or are of peripheral significance, all is quiet in the one area in which action could have a swift and sharp impact on inflation — controlled distribution of the basic necessities of life. Instead, in this area there has been a marked regression. For instance, the scale of operation of the public foodgrain distribution system has been slashed to less than one-half of what it was around this time last year. The Prime Minister has talked soothingly of large quantities of foodgrains, mainly wheat, which are proposed to be imported this year. What is forgotten is that, as far as public distribution is concerned, these imports will barely make up for the government's dismal failure to procure foodgrains internally. An idea of the shape of things to come can be had from the announcement that the Maharashtra government is considering a further cut in the foodgrains ration quota in Bombay so as to increase supplies to the rural areas where, according to representations received by the government, the availability of foodgrains through the fair price shops is "almost nil"!

Foodgrains Production

Limits of New Technology

THE officiating Union Minister of Agriculture has now come round to admitting that the output of foodgrains in 1973-74 is going to be in the range of 106 to 108 million tonnes. Going by the past pattern of official confessions, the lower figure is the likely final estimate. This would be some 9 million tonnes less than what was being claimed about this time last year, 8 million tonnes less than what was anticipated for the year in the draft of the Fifth Plan, and 4 million tonnes less than what had been alluded to in the considerably chastened *Economic Survey*. True, in recent years, figures given out on foodgrains production have been largely affected by the political weather. The days of 'pure', 'non-biased' estimates are past: politicians determine, on the files, what the compound rate of growth — whether of agriculture or of industry — *ought to* be. Even so, the general trend is by now obvious, and the time has certainly arrived for assessing the country's experience during the past decade in the context of the various efforts to raise the level of grains output.

This decade has more or less coincided with the induction of the so-called new technology in agriculture which, in turn, supposedly heralded the great 'green revolution'. How green, however, is the valley? The authorities have now and then admitted to occasional setbacks in the agricultural production programmes because of specific factors — such as lack of rains or shortage of fertilisers — but no attempt has been made to appraise the total substance of the new technology. Indeed, to question the impeccability of the package of policies stemming from the new technology has been considered very nearly unpardonable heresy.

But must one not find out whether the emperor has in fact any clothes? Between 1949-50 and 1964-65, the compound rate of growth of foodgrains production in the country was approximately 3.4 per cent. At least half of the increase in output during this period was on account of the lateral expansion of acreage; nevertheless, the rate of increase in productivity per acre worked out to around 1.2 per cent per annum. Has the performance been even a shade better since 1964-65 — the year when the new technology made its debut? If equal weightage is given to the estimates of output in the individual years, the compound rate of growth of foodgrains production in the country between 1964-65 and 1973-74 would work out to barely 1.3 per cent per annum. Were a trend line to be fitted on the basis of three-year moving averages, the rate of growth per annum would improve to only 1.5 per cent. And, in case the share of wheat in this growth is left out, for the other crops considered together, the compound rate of growth is hardly 0.6 per cent.

In wheat, too, the rise in production and productivity, it is now generally agreed, has been a once-over increase. The irrigated tracts having been utilised to the hilt for the cultivation of the crop, the rate of growth has begun to drop perceptibly — at least, so is being stated by the officials from Punjab and Haryana. In more recent years, questions have also been raised regarding the pest-resistance of new wheat varieties which has apparently stunted growth. As for the other food crops, 'green revolution' or no 'green revolution', new technology or no new technology, the position continues to be exceedingly grave, and productivity per hectare has actually declined in quite a number of instances — with perhaps the exception of maize.

If, despite these facts, Krishi Bhavan still continues to lean on the so-called 'progressive' farmers who control the larger-sized holdings and have superior command over resources, the country would sink into even deeper trouble than it has been in the past few years. The shrinking level of procurement ought to suggest to the authorities that the policy package of the 'new technology' has become altogether counter-productive, and that the rise in the holding capacity of the big farmers cannot but further induce the emergence of a negative supply curve. The problem of Indian agriculture is not primarily one of the induction of new technology, nor of providing adequate price incentives, but of *structural* readjustment. There are here two essential elements of policy: first, a drastic realignment of the ownership and tenurial arrangements such that particularly in the *kharif* belt small farmers and landless labourers begin to have a greater stake in land, and so that co-operative bodies, banks and other public financial institutions too are compelled to readjust *their* policies and attitudes: second, a re-drawing of the country's irrigation plan with a shift in emphasis away from the traditional *rabi* to the traditional *kharif* tracts, thus ensuring that the latter areas too can take to the new technology which requires controlled water administration.

The established predilection, of course, is to pursue more of the same. But to persevere with the kind of agricultural policy followed since 1964-65 — with its accent on quick and large marketable yields — would not only not lead to any perceptible improvement in the rate of growth of foodgrain output, it would cause considerable harm — both by further aggravating the existing inequalities in the rate of growth of foodgrain output among the different regions and hence in the pace and pattern of income growth as well as in further concentration holding and political power in the hands of the few, and by accreting farm production in specific areas could increase the difficulties of equitably distributing food around the country.

The caveat needs to be underscored at this stage because C Subramaniam was Union Minister in charge of Agriculture when the new technology was initiated a decade ago; the danger of an altogether closed mind cannot therefore be ruled out. Subramaniam's only major policy statement since his assuming charge, once more, of the portfolio of Food and Agriculture concerned an exposition of how procurement could be raised through linking it with the supply inputs — thus indicating hardly any advance in thinking. Rummage through the newspapers circa 1964-65, and C Subramaniam was making more or less the same statements.

Political Prisoners

The Maimed and the Dead

EVIDENCE of the barbaric treatment of so-called 'Naxalite' suspects by the police continues to pile up. A ghastly account of how women detenus are subjected to the most savage torture has recently been provided by members of the All-India Women's Association. The Association has no particular pro-'Naxalite' sympathies and in fact it was by sheer accident that some of its members got to know of the police treatment of women 'Naxalite' suspects. On May 3, some members of the Association were arrested in connection with the anti-price rise demonstrations organised by nine Left parties in Calcutta. Because of overcrowding, some of the arrested were kept in a cell in the Calcutta Presidency Jail close to the women 'Naxalites'. This enabled them to gather facts about torture of the suspected women 'Naxalites'. Some excerpts from the account provided by the All-India Women's Association are given below:

"After arrest and the usual police interrogation (which often included routine physical torture) they [the 'Naxalite' suspects] were detained in jail. One month after their detention most of these girls were taken to Lal Bazar [headquarters of the Calcutta police] ... There they were taken to an underground cell for interrogation (who are there in your group? give their addresses and names, etc) and if their answers failed to satisfy the police bosses, they were immediately subjected to physical torture.

"These girls were stripped naked and made to lie on a table. Then they would begin with burning by cigarette — neck, breast, stomach and other soft private parts not excluded — accompanied by all conceivable humiliation. And after this, if any of the girls refused to speak, an iron ruler would be inserted into her rectum. (As a result of repeated torture, the *rectum* and vagina of some of these victims have become one.) After this, the unconscious bodies of these girls were brought back to jail by police van. After 20 or 22 days, when they recovered, the girls would be once again taken to Lal Bazar and subjected to the same treatment.

"Although most of these girls are under trial, they were never presented before the magistrate. The police had their necessary documents signed by the magistrate, while the girls were kept waiting in the police van ..."

Clearly, in its treatment of those who pose a political threat to it, the Government of India has nothing to learn from the most repressive regimes in the world. But the women prisoners whom the members of the All-India Women's Association saw are at least still alive. On the other hand, scores of alleged 'Naxalites' have been killed in so-called incidents inside jails or in what are described as attempts to escape from jails. Recently, a Calcutta paper published statistics of alleged 'Naxalites' killed and injured in some of the jails in West Bengal and Bihar. These figures are reproduced in the accompanying Table. (Figures in parentheses in the Table are unofficial estimates of casualties.)

TABLE: NAXALITE PRISONERS AND DETENUS KILLED AND INJURED IN SO-CALLED JAIL INCIDENTS

Name of Prison	Date of Incident	Dead	Injured
Midnapore Central Jail	17.12.70	8	60
Presidency Jail, Calcutta	4.02.71	Nil	24
Midnapore Central Jail	4.02.71	2	60
Beharampur Jail	21.02.71	10(47)	62(100)
Dum Dum Central Jail	14.05.71	16(32)	88
Howrah Jail	16.05.71	NA	NA
Sewri Jail	7.06.71	NA	5
Alipore Special Jail, Calcutta	31.06.71	6(9)	NA
Alipore Central Jail	26.12.71	6(60)	200
Hazaribag Jail	25.07.71	17	60
Asansol Jail	5.08.71	9	21
Hooghly Jail	7.02.72	1	24
Beharampur Special Jail	26.02.72	NA	NA
Jalpaiguri Jail	26.02.72	1	NA
Bhagalpur Jail	8.05.72	7	160
Burdwan Jail	28.05.72	2	26
Gaya Jail	9.9.72	1	55
Bankipur Jail	9.09.72	NA	10
Alipore Central Jail	1.10.72	1(4)	80
Beharampur Special Jail	27.11.72	—	65

The jails of West Bengal are still overcrowded with alleged 'Naxalite' detenus. In fact, the number of such detenus has been perhaps going up, with the number of fresh arrests exceeding that of those released. According to the Legal Aid Committee of Calcutta, not less than 15,000 alleged 'Naxalities' are in prison in the state.

From time to time the Legal Aid Committee makes public instances of illegal detention and torture of alleged 'Naxalites'. Recently it has revealed how in Basirhat district in West Bengal six boys were kept in jail for two years on an unproven charge of murdering a landlord. Two of the boys are still in the Alipore jail. There is another case of five brothers; two of them were shot dead; the eldest, about 29, has been in the Dum Dum jail for four years on 19 different charges; and the youngest, a young boy of 13, has been crippled by police torture. Another alleged 'Naxalite', Biren Nayak, 21, was recently produced in court with extensive burn marks on his forehead. Now he is in Calcutta's notorious Presidency Jail, reportedly with his rectum ripped by the torturer's stick.

Under British rule, the police firing in Higle Jail in Midnapore had sparked off a nationwide stir, forcing the impe-

Special Number 1974

The Special Number of *Economic and Political Weekly* will be published in the third week of August. It will be priced Rs 10 per copy, but will be supplied free to subscribers.

In view of the Special Number there will be no weekly issues on August 10, 17 and 24.



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rialist rules to institute an enquiry into the killing. Under Congress rule, however, killing and torture of political prisoners can be carried on with impunity — and, it appears, without fear of public protest.

Research Establishments

Unproductive Empires

IN spite of having one of the largest scientific communities in the world, choosing chief executives for scientific organisations has always been a vexing problem in this country. Whenever a vacancy arises or a new programme is initiated, the choice again and again narrows down to a select few. These few invariably already hold other positions of leadership. The latest example is the appointment of M G K Menon as Scientific Adviser to the Ministery of Defence, Director-General of Defence Research and Development, and Secretary to the Government of India. Menon, it is reported, will continue as Secretary to the Government in the Department of Electronics and Chairman of the Electronics Commission, though he has kindly consented to give up the post of Director of the Tata Institute of Fundamental Research. This decision of the government is unfair to R and D programmes in both Electronics and Defence. Both need full-time chief executives because they are critical to the country's development, are of large size, and are different from each other. One person, however gifted he may be cannot devote enough attention to the two organisations. As a result, both Electronics and Defence R and D will suffer for want of leadership and timely decision-making.

As it happens, the Defence R and D organisation needs all the leadership that it can get. Acute staff dissatisfaction, low productivity, and cynicism are rampant in it. This organisation, which spends nearly Rs 25 crores of public money annually, gives out very little information about its activities to the public. Much of its work has non-defence applications as well but, thanks to the cloak of secrecy, very little is known of such possibilities. Meanwhile, imports and foreign collaboration for meeting defence needs continue on a massive scale. To appoint a part-time chief executive for this organisation is therefore to invite disaster,

It is becoming fashionable for heads of scientific organisations to secure two or three high positions for simultaneous occupation. M G K Menon has continued to hold the Directorship of the Tata Institute of Fundamental Research after his appointment as Chairman of the Electronics Commission and Secretary to the Department of Electronics. In the last two years, it has been the experience of TIFR scientists that they can hardly find the Director in the Institute. Under a highly centralised form of Management, with nearly all powers vested in the Director, such a situation can be frustrating indeed. For a few months in between Menon was also Chairman of the Indian Space Research Organisation, and even now continues to be a member of the Space Commission similarly, the present Chairman of the Space Commission, Satish Dhawan, continues as Director of the Indian Institute of Science, a major educational institution in advanced science and technology. That the headquarters of the Space Programme was shifted from Ahmedabad to Bangalore to suit his convenience, seems perversely to follow from the logic of such a concentration of office, in one man!

Is the country so lacking in scientists that we have to keep offering the top positions in science and technology organisations to a small coterie of individuals? Haven't these organisations developed any second-level scientific leadership worth the name after so many years? Would it not be far better to let some of them develop even by risking minor mistakes rather than condemn the organisations to stagnation under part-time leaders?

As for the individuals concerned, it is clearly irresponsible on their part to accept appointments to so many positions at the same time. As it is, much of their time is frittered away in constant travel, official engagements, parties, inaugurations, committee meetings, etc. If any one of them maintained an account of their activities on behalf of the various organisations with which they are connected and the pattern of time spent in a typical month, it would hold interesting revelations.

Top government appointments are made in India by invitation. Unlike in the US, they do not have to be ratified or approved by a Parliamentary Committee. If they had to be, then the public hearings would reveal the person's capability and time commitment in relation to the needs of the organisation to which he is being appointed. Yet, the consultative committee of Parliament attached to the Department of Personnel could initiate some action in this regard.

Compulsory Deposits

False Flourish

THREE comments appear to be in order on the latest ordinance introducing the compulsory savings scheme for the higher income groups. First, viewed purely as an exercise in public relations, it would have been altogether more sensible if this ordinance had accompanied the other two ordinances issued in the preceding week; it might have partly assuaged the impression that the major thrust of the government's current series of anti-inflationary jousting is against the workers and other low-income groups. There is, after all, nothing particularly novel about the announced scheme for compulsory deposits. It cannot even be claimed that its announcement had to be held back because the details needed to be worked out: the details are yet to be announced. In the second place, the Government, in claiming that the scheme would net Rs 50 crores annually, has again taken recourse to verisimilitude. It will do no such thing. Interest on these deposits, at 8.5 per cent — though not compounded — will, over a five-year period, earn not very much lower than what can be earned on fixed deposits. Besides, repayment will start flowing at the end of the second year itself. The opportunity cost of the compulsory deposit could be zero, or negligible, for several people who, might be simply transferring to the government amounts that they would otherwise keep in fixed deposit accounts. The net accretion of additional savings is certainly going to be substantially lower than Rs 50 crores. Thirdly, whatever might be the claim of the authorities, the brunt of the measure will in the final analysis have to be borne once again by the salary-earning tax-payers. The professional groups — who are but barely within the tax net — will escape even the marginal rigours of this compulsory deposit scheme.

This last point can be elaborated. Some scattered data were made available last week on lawyers, doctors, engineers and contractors, who have recently been brought under the tax orbit. It is quite clear that the majority of these professional groups continue to escape taxation; even the few amongst them, who condescend to file returns and pay taxes, often cheat on the declaration of their aggregate income. Besides, scarcely any steps have been taken to track down the thousands of traders across the country whose gross incomes exceed, by several

times, the incomes of even the relatively affluent lawyers, engineers, and physicians. The authorities at the Centre have an alibi for not touching the high-earning farmers — namely, that the taxation of agricultural income is the domain of the state governments. But it has no alibi at all for not corralling the traders, whose speculative avarice has largely contributed to the price spiral. Where there is a total lack of endeavour even to identify the people who eminently deserve to pay income-tax, it is folly to entertain exaggerated notions about the efficacy of compulsory deposits as an anti-inflationary device. Those who do not pay income-tax will not be called upon to make compulsory deposits: the scheme will, therefore, provide an additional excuse for some people to stay away from declaring their incomes.

The major question mark about the present ordinance — as also about the two earlier ones —, however, pertains to the more basic issue. In announcing these ordinances, the authorities have stuck to a particular view of the unfolding economic phenomena. They have reached the conclusion that the current bout of inflation is all because of happenings on the demand side. This is scarcely a correct representation — unless one is referring specifically to the so-called 'reserve demand' on the part of speculators, traders, and rich farmers. The Prime Minister's occasional philosophising apart, there is not a hint that anything is to be done to restrain this kind of demand of these categories.

Even assuming that the compulsory savings scheme would trap Rs 50 crores of income-flow in the net, and not in the gross, the same result could have been achieved by merely asking the banks to cut down their advances by less than one per cent. The Government has seemingly little intention or capability to exact any such things from the banks. The so-called scrutiny of the big accounts is, of course, a much-used *mantra*, but hints liberally emanating from the Reserve Bank of India suggest that the ritual is not to be taken seriously. And have not the big accounts already passed through the sieve of the Credit Authorisation Scheme?

But, then, the Congress Working Committee had just passed a firebrand resolution for combating inflation, and the All-India Congress Committee was about to meet. The compulsion for an ordinance invoking compulsory savings was therefore understandable.

Industrial Countries

Oil Crisis eEclipsd by Inflation

AT the beginning of the year the oil crisis was generally regarded as the most ominous development which the developed Western countries had had to face in the post-War period. Now, however, they appear far more preoccupied with the threat of an unbridled 'double-digit' inflation. Saudi Arabia's firm stand against any further rise in prices of crude oil and the consequent dissensions among the oil-exporting countries have been a soothing development for the oil-importers, with the prospect of oil prices stabilising slightly below $ 10 a barrel.

France, Italy, Japan and the UK were expected to be the hardest hit by the rise in the petroleum import bill. Italy and the UK among them already had large balance of payments deficits and so they were expected to be in serious trouble as a result of the oil crisis. But as things have worked out, the balance of payments problems of at least France, Japan and the UK appear to be manageable.

The recent agreement between France and Iran under which Iran is to purchase goods and equipment worth $ 5 billion will go a long way to help France which is trying to get other countries, including the Soviet Union, also interested in such agreements. As regards Japan, it is doing exceedingly well on the exports front. In May Japan's exports rose by a record 62 per cent over those in May 1973 and were over $ 4.5 billion. The light credit squeeze at home has forced Japanese producers to sell more abroad and Japan's balance of payments deficit is expected to be cut sharply in 1974 and be further reduced in 1975. With total external reserves of well over $ 15 billion (including concealed reserves) and its borrowing programme abroad, Japan can weather the oil crisis without much difficulty. Moreover, both Japan and France have started attracting Arab funds, though as yet in driblets.

The UK's trade deficit in 1974 is likely to be around $ 10 billion, or one-quarter the expected combined deficit of all industrial countries. However, the UK too is not likely to be in any particularly serious difficulty. The North Sea oil discoveries have altered the long-term outlook for the British economy. By 1980 the UK is expected to emerge as a small exporter of oil. The oil-rich Arabs have grasped the significance of this and have put sizeable funds in medium and long-dated UK government securities. Secondly, after the failure of three prominant US, West German and Swiss banks, the UK has emerged as a safe centre, for Eurocurrency deposits. This will help to increase the UK's invisible earnings. Another significant development, particularly for Japan and the UK, is the crash in the prices of primary products which will reduce the import bills of both countries.

Italy continues to face a serious balance of payments problem. However, even in this case the seriousness of the crisis appears to have been exaggerated. Italy has not used any of the $ 4 billion worth of inter-central bank swap lines available to it to defend its currency. It has reportedly not drawn on the IMF stand by credit of $ 1.2 billion either. At the current market prices, its gold reserves are worth over $ 12 billion. Italy is also taking action to control demand-push inflation within the country. In the event of a serious payments crisis, Common Market partners like West Germany will come to Italy's rescue though they have not yet come out with a definite statement to that effect — perhaps to put pressure on Italy to try to help itself to the maximum by reducing its non-oil-induced trade deficit.

With the balance of payments problems of even the most vulnerable countries thus appearing manageable, the latest OECD forecast released this week is more concerned over inflation than with the balance of payments deficit of $ 40 billion facing the industrial world during the current year. Despite the near stagnancy in output in seven prominant developed countries put together, viz, the US, the West Germany, Japan, France, the UK, Italy and Canada, the inflation rate is around 13 per cent. According to the OECD, Japan and Italy will have very high inflation, at 25 per cent and 18 per cent, respectively, while in the US and West Germany the rates will be 7.7 per cent and 9.5 per cent, respectively. In 1975 the inflation rates are expected to come down to 11.7 per cent for Italy and 15.7 per cent for Japan, while those of the US will rise to 10 per cent and the UK to 18 per cent. Thus next year the UK will have one of the highest inflation rates in the industrial world. This is likely to force the sterling parity down further. One need not be surprised, therefore, if the pound sterling eventually slips to a new parity of around $ 2.10 against the present $ 2.39.

Calcutta Diary

A M

THE item below was carried by what is considered to be the leading Bengali newspaper on July 14, 1974:

> Following the decision that, on July 16, the Prime Minister, Shrimati Gandhi, will cross the Hooghly river not by the Howrah bridge, but by motor launch, detailed studies are being made of tidal movements and the water level of the river at different hours of the day. Apart from soliciting the views of experts and specialists, senior officers belonging to the Calcutta and Howrah police and the Department of Marine are travelling up and down the river by motor boat to study the drift of current in the river. In addition, the State Inspector-General of Police, Ranjit Gupta, and the General Manager of the South-Eastern Railway visited on Saturday the Howrah Maidan Station and Ramkrishnapur Ghat to check on the arrangements.
>
> On Tuesday, the day of the Prime Minister's visit, the ferry service between Chandpal Ghat and Ramkrishnapur Ghat will be closed from 3 pm till 6 pm. The Howrah *hat [market]* will be closed at 12 noon; no business will be permitted after that hour. Brisk repairs are going on of the roads around Ramkrishnapur Ghat. Two thousand and five hundred policemen have been assigned for duty in the area; they will be under the supervision of DIG (Armed Police), Partha Basu Roy Chowdhury.

Pray, what was the gala event giving rise to all this commotion? Indira Gandhi briefly visited Calcutta on July 16. She was to go across the river to Howrah, to address a meeting in connection with the inauguration of work for laying a broad-gauge railway track. The Howrah bridge, which connects Calcutta to the other side of the Hooghly river, is a little more than a quarter of a mile long; if there is no jam, a car can cross the bridge in a couple of minutes or less. But traffic on the bridge can be heavy. When this happens, cars have to slow down. The Prime Minister, however, cannot waste her time. Hence the decision that she should cross the Hooghly, not by the bridge, but by motor launch. Coming and going together, her journey across the river could not have taken more than six minutes. The ferry service for the public was nonetheless closed down for a full three hours. The daily market was wound up at noon, while on other days transactions continue till dusk. Experts of assorted hues were pulled out from their regular assignments to study the hydraulic details of the river. Senior officers chug-chugged, for several hours of the day for a number of days, up and down the river, measuring its currents. Two thousand and five hundred policemen were assigned duty. The roads were temporarily freshened up. Hundreds of street-dwellers, with no shelter above their heads, were forcibly removed from the route along which the Prime Minister and her entourage were to travel to and from the venue of the meeting.

One can of course offer sad, caustic comments on how strong a spell is still cast by mediaevalism in this great republic of ours. Time used to come to a stop, time still comes to a stop for the rest of the nation as the sovereign fleetingly passes by their neighbourhood. The resource-wasting rituals — which the above news item typifies — have little to do with the normal requirements of security; they are a reflection of a near-mediaeval system of values which, deliberately or otherwise, has been integrated into the country's politico-cultural norm. Till as long as there is no organised and sustained protest, these rituals will continue.

The enactment of such rituals has an economic implication; it involves an opportunity cost. The economic consequences of the charade, which marked the Prime Minister's visit to Howrah on July 16, were there for all to see. The ferry service across the river between two extremely busy focal points was completely suspended for three hours, all because the Prime Minister was around for a total period of six minutes. Traffic between these points, therefore, came to a halt during those hours, and one can work out the direct and indirect economic loss of the stoppage of the ferry service. The market was forced to close early; it worked at least six hours less than normal. Two thousand and five hundred policemen, dancing attendance on the Prime Minister's party, who could have been deployed elsewhere — for example, helping with the procurement of foodgrains — represented yet another facet of the opportunity cost. Because the Prime Minister was crossing the river for a bare six minutes in a motor launch, several motor launch-hours worth of diesel, furnace oil, and petrol, were used up by officers who studied for days on end the tidal bores and water levels of the Hooghly. Hydraulic experts, who ought to have better things to do, were set busy taking the measurements of the river at the particular stretch where the Prime Minister was to cross and re-cross.

Is this making a mountain out of a mole hill? Or do not these facts lay bare an aspect of the Indian reality, an aspect which has considerable relevance for explaining the current economic situation? Pundits berate the slow pace of economic activities in the country. With deeply felt anguish, they draw attention to the assorted sloths affecting the system; for instance, how workers while away time on shop-floors making small talk or in the name of tea or coffee-breaks. Bitter complaints are lodged over the poor rate of turn-around of railway wagons, or how power plants cannot work effectively for lack of co-ordination among the units. The private sector complains about the meaningless procedures laid down by the government, which take up a whole lot of precious time and energy. Every day, some eminence or other inveighs against bureaucratic procrastinations and the fuddyduddyness of rules which choke all creative endeavours. Management experts lament the erosion of the work ethic; the Prime Minister condemns wastage and lethargy, and broods over the lack of motivation among employees of public sector undertakings including nationalised banks. The economic stagnation may be mostly on account of the inadequacy of capital formation, but economists all the time refer also to the latent inefficiencies, to the miserably poor rate of utilisation of productive capacity, and so on.

But do not rituals and sloth go together? Where a society is organised along tribal lines, taboos, and totems, do not these take precedence over every other thing else — including essential economic activity? Work becomes secondary, sedentary; rituals get pride of place. It is impossible for ordinary mortals to differentiate between categories of social behaviour. Each time the Prime Minister visits a place, normal transactons — including vital economic transactions — are ordered to come to a stop, and rituals take over. It is thus that social norms are laid down: what has precedence over what, what is relevant, and what is not. These norms then permeate through the various organisms of the nation. The opportunity cost of subverting crucial economic goals is obviously considered worthwhile.

It was an inaugural occasion which took the Prime Minister to Howrah. Will it be unpardonably rude to say: a ritual a day perhaps keeps the hour of reckoning away? The other day, when the Prime Minister read out a long essay on economic ethics in Bangalore, the occasion, again, was the lay-

ing of the foundation stone for a particular institution. She was preaching the need for all-round economy in the use of resources even as she was abetting in the act of wasting some: this is the inherent contradiction from which none is seemingly at all keen to opt out. The amount of time which ministers spend in inaugurating seminars or laying foundation stones or pressing buttons for opening a factory or a fish market could have been usefully deployed for more coherent economic tasks. There is also a second-order effect of the wastage of time — and hence resources. Ministers waste their own time and of course government resources by travelling to these inaugural shows; and since mediaeval heritage insists that, as the chariots pass by, the commoners too must stop work and pay them obeisance, more time and resources are brought to nought. As a direct consequence, certain other notions also get implanted in the nation's stream of consciousness — that appearance is reality, that ritual is sustenance, that invocation is the essence of economics. Each of these may be dangerously misleading or false.

All power to the people. If people want to set up an administration based on the adulatory principle, it is their affair, even if we happen to be in the twentieth century and in the dying third quarter of it. After all, monarchies are still around, including one or two absolute ones. It is, however, the combination of mediaevalism with tribalism which spells danger and agony, for then adulation and economic sloth tend to be inseparable joint products. It may take the people quite some while to comprehend the implications of this joint supply. After that, again, it is a matter of their own decision.

CAPITAL VIEW

JP Haunts the Congress

Romesh Thapar

THE Congress Party is very thick in the head and seldom learns from its mistakes. First, there was that scandalous attempt to smear the personal reputation of Jayaprakash Narayan. I say 'scandalous' because the persons making the accusations about corrupt living are regarded as the notorious characters in the Indira Gandhi entourage. Then, when this assault recoiled, a kind of sniping was resorted to. This also failed to make a monkey out of JP. Now, the AICC jamboree in Delhi has thought it fit to single out the aged Sarvodaya leader as the main threat to the future of the Congress.

Whoever thought out this strategy, deserves a special dunce's cap made of terrycot (in the style now urged upon the fake followers of Gandhi!). JP should be happy that he has now been elevated to undisputed, partyless, leadership of all those striving to reform, purge, and restructure the politics of India. It is a role which he has always sought; he could hardly have believed that it would be thrust upon him by his own sworn enemies. The more JP talks about the failure of governance, the spread of corruption, and the harassment of the people, the more these corrupt politicians charge him with fascistic leanings. As the wag sums it up: If that's what fascism is, let's have more of it.

What has happened to the fabled political touch of Indira Gandhi? Why is she at the mercy of men like L N Misra? Is the Bihar situation being kept dangerously at explosion point merely because the Assembly in the state must vote in the presidential election? How much of the state is already 'a law unto itself'? Will JP manage to stir another state into action? Uttar Pradesh? Is this the real fear? These are some of the questions being asked. However, it is clear that the muddled leadership of the Congress Party is itself exciting interest in the possibility of a poltical alternative — however vague and nebulous, as it emerges in the dreamings of Jayaprakash.

Naturally, the interest in shaking the ruling party into a new awareness of the economic and political crises building around it is also intensifying. Those who place ther faith in the PM's capacity to retaliate effectively are expecting what they call a *'maha qatal'* of the Council of Ministers after the presidential election — itself a prime ministerial operation which will at the same time attempt to give a new face to the Congress Party by reorganising the AICC. How this connects with the credibility of the Congress in the states is anybody's guess.

Beyond personalities, and their shuffling around, attention is focused upon the new programmes and policies to curb inflation, to encourage productivity, and to lift the morale of the nation. Despite the differences over the Ordinances, and the many speculations around them, the attack on the hoarder, the smuggler, and the businessman-racketeer, is considered by all as an essential element of the remedial package. This attack, however, remains marginal, intermittent and ineffective. Is the leadership reluctant to be effective in this respect for fear of toppling itself in the process? Is the alliance as close as is alleged?

The experts know that all the Ordinances in the world cannot halt the drift towards economic — and political! — anarchy, unless 'the underground sector' is dealt a massive blow. There is only one person in the country who can trigger off this blow-up at the Central and state levels — the Prime Minister. If she fails to act, then she will increasingly be seen as a protector of this sector.

Already, it is possible to sense a mood of anger developing among the still honest elements in the fixed salary areas. As the squeeze develops through Ordinances, and no attack develops on black money, they begin to ask themselves whether honesty is a sucker's posture, whether the time has not come to dip their fingers in the tempting pie, whether it is not good sense to join the rate race. The leaders of the ruling party cannot be unaware of these currents.

Significantly, even as Jayaprakash Narayan awaits the next foolishness of the government which will give him more power to move the people, Members of Parliament are assembling for the short monsoon session, exhausted and listless. It indicates a growing despair with the way our democracy is being managed and a developing reliance on mass action. The strike weapon may have been blunted by the adventurism of the trade unions, but the stir against official inaction, against open corruption and blackmail, and against harassment, could build up rapidly.

If Indira Gandhi is acting according to the content of her speeches — which may well be, despite the credibility gap — the fact remains that she appears also to be powerless in her efforts to move the machine of government towards performance and productivity, which alone can provide the basis for change. The Prime Minister needs to assess her own effectiveness within the maze of government.

Tailpiece: Alas! we are now exporting cross-bar telephone exchanges to friendly countries in the developing world ...

July 22

COMPANIES

A Roaring Business

Hansavivek

INDIAN HOTELS' chairman, J R D Tata, is of the view that the country's earnings in foreign exchange from visitors to India can, within a few years, reach the equivalent of Rs 1,000 crores per annum and become by far the largest single source of foreign exchange earning, if adequate hotel accommodation, air transport, and first class rail capacity available. He bases his assessment on the fact that the number of foreign visitors to India is only a fraction of what it is to many other much smaller countries and which offer much less to foreign tourists — such as Spain and Greece, which received last year about 35 million and 3 million visitors, respectively, compared to only 4,10,000 received from overseas by India. According to the Department of Tourism, the foreign exchange brought to India by foreign visitors was about Rs 70 crores and is expected to reach Rs 100 crores this year. Tata, therefore, advocates that expansion of hotel capacity to international standards be given highest priority to achieve a favourable balance of payments. He concedes that government has been helpful in providing funds to industry, but reiterates that government should provide even greater fiscal and monetary facilities and amenities to attract investment to this industry.

IHC's new hotel project and the renovation and expansion of 'Taj Mahal' in Bombay have been completed. The 'Taj Coromandel' in Madras, sponsored by it, began operations under its management in April last though it was not yet complete. Construction of the 'Fort Aguada Beach Resort' hotel in Goa expected to be open by November. The company's expertise and reputation in the field of hotel and restaurant management has attracted enquiries from many quarters for rendering technical assistance or providing consultancy and management services for new hotels and restaurants. It has appointed consultant and adviser to the 'Covelong Beach Resort' hotel situated 15 miles from Madras. Negotiations are also under way for hotels in Agra, Banaras, Bangalore and Delhi. Operation of the Jaipur hotel, under the company's management has been satisfactory, but that of the 'Lake Palace' at Udaipur has been dogged by misfortune. The drought of 1972, which dried the lake, forced its closure for four months, and floods coupled with the prolonged Indian Airlines' strike severely affected its operations last year. But the chairman envisages good tourist potential for this hotel, but

The Week's Companies (Rs in Lakhs)

	Indian Hotels		Gujarat Fertiliser		Mafatlal Fine	
	Latest Year 31-3-74	Last Year 31-3-73	Latest Year 31-3-74	Last Year 31-3-73	Latest Year 31-3-74	Last Year 31-3-73
Paid-up capital	235	235	1200	1200	299	299
Reserves	112	77	2900	2550	834	694
Borrowings	501	509	2846	3408	1295	1160
of which Term Borrowings	270	289	2769	3389	458	502
Gross fixed assets	1057	1006	9653	8200	2163	2055
Net fixed assets	814	812	6173	5398	921	997
Investments	16	2	3	2	39	38
Current liabilities	117	129	897	724	800	505
Current assets	158	157	1666	2365	2260	1602
Stocks	30	29	1175	1004	1336	1115
Book debts	101	111	261	364	906	471
Net sales	569	423	3632	3986	3864	3361
Other income	13	12	48	93	62	61
Raw material costs	126	80	837	665	1631	1583
Wages	114	90	269	241	730	618
Interest	52	39	184	227	119	108
Gross profit (+)/loss(—)	100	85	1239	1761	509	387
Depreciation provision	50	45	680	579	186	183
Tax provision	—	—	—	—	154	91
Net profit (+)/loss(—)	50	40	559	1182	169	113
Development rebate provision	14	33	305	808	14	36
Transfer to reserves	20	—9	118	166	99	29
Dividend						
Amount	P 5 E 11	5 11	P 28 E 108	28 180	P 2 E 54*	2 46
Rate (per cent)	P 9.3 E 6.4	9.3 6	P 9.3 E 12	9.3 20	P6.43 E 20*	6.43 17
Cover (times)	2.82	0.17	2.09	1.92	2.82*	1.21
Ratios (per cent)						
Gross profit/sales	17.57	20.09	34.11	44.15	13.17	11.51
Net profit/capital employed	5.90	4.87	8.05	16.51	6.54	5.25
Inventories/sales	5.27	6.85	32.35	25.19	34.57	33.17
Wages/sales	20.04	21.27	7.40	6.04	18.89	18.39

* The recommended dividends will have to be reduced in accordance with the provisions of the Ordinance restricting payment of dividends.

feels that this potential cannot be fully realised unless Udaipur airport is expanded to make it usable by jet transport aircraft.

GUJARAT STATE FERTILISERS COMPANY will start setting up manufacturing facilities for styrene-polystyrene and various grades of nylon chips on receipt of government approval to the agreements made by it with Badger of the UK for styrene-polystyrene and with Inventa of Switzerland for nylon chips. Meanwhile, the company has received a 'letter of intent' for expansion of its existing nitrogenous fertiliser capacities by setting up ammonia and urea plants with daily capacities of 1,350 tonnes and 1,600 tonnes, respectively. The company takes pride in having completed the caprolactum plant within 15 months of the final clearance by government for the project. During the year ended March 1974, GSFC's total production of feritiliser was 4,58,825 tonnes against 5,47,145 tonnes in the previous year. The shortfall was chiefly due to drought conditions over a long period which resulted in high salinity in the water the company receives from the river Mahi, the heavy floods during the last monsoon, the voltage fluctuations and power failures, and the longer shut-downs of the plants for maintenance. The second urea plant had to remain closed for over three months during February-May last on account of extensive repairs to the reactor, the titanium lining of which developed leakage so that fabricator's experts had to be called in from Japan. Reduced output apart, considerable increase in manufacturing costs and other expenditure owing to steep rise in prices of raw materials, stores, spare parts, power, etc, is claimed to have eroded profit-margins. While net sales were only 9 per cent lower compared to the previous year, gross profit fell by 30 per cent. Although there was no tax liability as before, net profit was more than halved. The directors recommended a dividend of 18 per cent, against 20 per cent paid last year; but this had to be reduced to 12 per cent in accordance with the ordinance.

MAFATLAL FINE has undertaken full plant-scale production of miscellaneous fluorides, developed by its own research and development department, to meet the industry's increased requirements. The company has also been granted increase in the licensed capacity for fluoro-carbon gases from 1,500 tonnes to 2,250 tonnes per annum. The chemicals division, which made a modest export of 12 tonnes of fluoro-carbon gases and 11 tonnes of miscellaneous fluorides to Singapore, Dubai and Australia, is intensifying its efforts in this direction. The production pattern of this division had to be regulated last year according to the demands of the aluminium industry, some units of which worked substantially below capacity on account of severe power restrictions. Even so, the divisions' total sales were 41 per cent higher than those of the previous year. The textiles division experienced shortage of fuel oil and power coupled with sharp rise in prices of cotton, and irregular supplies and very high prices of polyester fibre. These constraints notwithstanding, the overall performance has been fairly good. The company met its controlled cloth obligation. As against its export obligation of 74 lakh square metres, actual exports stood at 112 lakh square metres. Even in the current year, the company hopes to fulfil its controlled cloth obligation, which has been doubled from April last. With higher sales and enhanced margins, gross profit rose by 31.5 per cent to Rs 509 lakhs. Dividend, stepped up three points to 20 per cent, was covered over 2.8 times against 1.2 times previously. The company had made an application for issue of bonus shares on a one-for-two basis. The proposal as framed by it was not acceptable to government and the company was asked to submit a fresh application, which it subsequently did.

TRACO CARBIDE is entering the capital market on July 29 with a public issue of 8.58 lakh equity shares of Rs 10 each at par. The subscription list will close on August 8 or earlier, but not before July 31. The public issue will finance a part of the cost of the company's project for manufacture of 14,850 tonnes of calcium carbide per annum. The cost of the Rs 3.23 crore project is proposed to be met through share capital (Rs 1.4 crores) and term loans (Rs 1.83 crores). Located in a backward area, the project will be entitled to government subsidy and tax benefits. Apart from its application in the manufacture of acetylene and calcium cynamide, calcium carbide is used in the manufacture of a number of chemical compounds. The company estimates that given the acute shortage of petroleum products, the annual requirement of calcium carbide might go up to 2 lakh tonnes by 1978-79. Against this the present installed capacity is 69,000 tonnes. Traco Carbide is obtaining the main plant and machinery as well as process knowhow from the well known Norwegian firm of Elkem. Most of the raw materials are available locally. The company expects a turnover of Rs 2 crores and a gross profit of Rs 50 lakhs in the first year of operation, Rs 3 crores and Rs 75 lakhs, respectivelv, in the second year and Rs 4 crores and Rs 1 crore in the third. It expects to pay a dividend of at least 10 per cent for the second year of operation.



AGRICULTURE

Whistling in the Dark

(From a Special Correspondent)

SOME of the measures taken by the government, faced with the prospect of a prolonged crisis on the food front, are so jejune as to raise doubts about the government's seriousness. Take, for instance, the week-long discussions the-then Agriculture Minister held in June with individual state ministers of agriculture. Among the conclusions which emerged from the meetings were that states like Gujarat should make extensive use of dry farming technology, that Assam should give priority to bamboo tubewells, that West Bengal, Bihar and Orissa should emphasise better water management for higher rice production, that Rajasthan should get enough aluminium conductors to energise its tubewells, that Tamil Nadu should encourage cultivation of tapioca in the unirrigated areas and, finally, that despite serious resource constraints food production in the country could be increased through streamlining input supplies and reorienting extension services. None of these propositions are so unknown as to have warranted the costly meetings; on the other hand, the factors which have hitherto stood in the way of their being translated into practice are unlikely to disappear because of the former Agriculture Minister's personalised discussions and paternal advice.

More recently it has been reported that a high-powered Cabinet committee, headed by the Prime Minister herself, will suggest ways of boosting food production under what has been described as the Emergency Food Production Plan. But with the experience of so many 'special drives' and 'crash programmes' behind us, talk of yet another emergency production plan seems like another attempt to create the impression that something radical is being done by the government when nothing of the sort is intended. Falling in the same category is the government's claim that despite the fertiliser shortage, the country would be able to achieve higher agricultural production through better allocation of scarce resources. As usual the government has made use of so-called technical experts to impart credibility to its claims. A number of seminars have been organised on maximising farm production in a situation of fertiliser scarcity. The economists have, through their models, demonstrated certain theoretical possibilities. Farm scientists have tried to justify the government's optimism by reference to results achieved on experimental farms. Unfortunately, the credibility of scientists too has suffered in the past because of their collaboration with politicians in making tall claims about the yield potential of new crop varieties in complete disregard of farm level constraints. Notwithstanding this unhappy experience, scientists are now busy with all manner of suggestions, ranging from the renewed emphasis on legume crops and harnessing of atmospheric nitrogen to the curtailment of per acre fertiliser dose to cover larger acreage so as to maximise overall production despite slight fall in per-acre yield. Some of these propositions deserve a closer look.

On paper, the possibility of supplying nitrogen to the soil through growing legumes is well known. The real question, however, is whether the changes in the crop calendar, in input use intensity and in relative profitability brought about by widespread introduction of HYVs permit this.

'Back to cow dung' is another pat solution suggested by scientists and planners alike for saving chemical fertilisers. An outlay of Rs 9 crores under Centrally Sponsored Schemes has been proposed for exploitation of manurial resources and compost-making in the Fifth Plan. The new-found fascination for gobar gas plants to produce methane gas for fuel without affecting the fertilising capacity of the dung, is part of this fad. According to the report of the National Commission on Agriculture, about 400 million tonnes of cow dung are burnt as fuel every year. If this dung is fed into gobar gas plants, it would, in addition to producing fuel, yield organic fertilisers equivalent to eight times the production of the Sindri fertiliser factory. The Planning Commission has already approved of a project of the Khadi and Village Industries Commission under which 20,000 gobar gas plants would be set up in rural areas immediately. It has been estimated that the plants will produce 190 lakh cubic metres of methane gas (equivalent to 318.5 lakh litres of kerosene valued at Rs 190 lakhs) and would convert cow dung into enriched organic manure, valued at Rs 96 lakhs per year, with 2 per cent nitrogen. The ICAR has constituted an expert group to estimate the potential for gobar gas plants in the country. Needless to say, members of the group have been on a 'Bharat darshan'. The group's report is awaited.

The fact, of course, is that gobar gas plants were first introduced more than a decade ago, put have failed to catch on. The reasons for this are many. The farmer's calculations in regard to dung are completely different from those of the experts. The cost of a three cubic metre gas plant at Rs 2,800 is too high and most farmers would prefer an energised well at the same or slightly higher cost. Even in the early days, when prosperous farmers in Gujarat and Maharashtra put up gas plants, they did so largely because of the very high subsidy provided by the block authorities. Once the subsidy was withdrawn, the installation of gobar gas plants too slumped.

There is, besides, a technical problem with the gas plants. As the generation of gas is affected by temperature, in most parts of north India the plants cannot supply adequate gas during winter. Supply of dung also fluctuates according to the season and the extent of stall feeding of the animals, which again varies from area to area and farm to farm.

Scientists have come up with some other ideas as well. For instance, it has been suggested that rice production can be substantially improved through the use of blue green algae and that changed methods of fertiliser application and supplementing fertiliser by neem cake can considerably improve crop yields. Thus, it has been claimed that 75 kg of fertiliser if placed in the soil with drills instead of being broadcast can raise wheat yield from 38 quintals to 43 quintals per hectare. Using 100 kg of nitrogen per hectare, the corresponding increase in yield of rice would be 69 to 73 quintals. Similarly, it has been claimed that if 40 kg of neem cake is added to 100 kg of nitrogen, the rice grain yield could be raised from 32 quintals to 37 quintals per hectare. Again, it has been estimated that more than 50 per cent higher yields can be achieved even from lower use of fertilisers if fertiliser application is made after detailed soil analysis of the plot.

These prospects may appear promising. But most of these efforts are yet at the experimental stage. Their re-

sults have been shown on the display panels at various agricultural exhibitions and information about them has reached the minister's technical speech writers. However, it will be a long time before they reach the farmers' fields. And who knows how they will work at the farm level?

Some experiments were initiated in 1973 for exploring the technical possibilities of maintaining or raising food production with reduced fertiliser supplies. Reports from some wheat growing areas show that yield can be optimised with even 75 per cent fertiliser application provided irrigation supplies are adequate. Rice growing areas similarly report that 75 per cent fertiliser application is sufficient provided plant protection is adequate. But where all crucial inputs — including water, power and pesticides — are in short supply, what is the basis for the bold claims of maintaining food production despite fertiliser scarcity?

Even as these technical debates go on, it is clear what will finally determine allocation and use. The Agriculture Minister told a press conference some months ago that fertiliser should be allocated to areas which have the highest response potential. And how is the response potential to be judged? By the political muscle of the food surplus regions, of course.

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KASHMIR

The Sheikh's Blind Side

Balraj Puri

THE first challenge to Sheikh Abdullah, after long years of near supremacy in the politics of Kashmir, came about a year ago from a section of students. Though the students raised political slogans in the few anti-Abdullah demonstrations they organised, their challenge was wider and is aimed against the values of the older generation which Abdullah has come to symbolise.

Far from taking such criticism lying down, the Kashmir leader confidently asserted: "Other parts of the country may condone indiscipline in the educational institutions, but in Kashmir we shall not permit the younger generation to go astray". And he expressed his determination "to build a strong public opinion to check this rot".

A public campaign followed against student indiscipline and violence. Abdullah also persuaded the Governor of the state to convene a conference of political leaders, educationists, and administrators, to discuss what was termed 'student unrest'. The conference, which met at Srinagar for three days in the third week of June, decided to continue its deliberations, through committees, till the causes and cures of the malady were settled upon.

The conference was attended by a fairly representative cross-section of the older generation, and it echoed Sheikh Abdullah's concern over the problem. In fact, the Sheikh appeared as the most authentic spokesman of his generation and set the tone of the conference. It was a conference of elders who presumed that the future of the country, including that of its students, was the exclusive concern of the elders. It therefore did not appear odd to most of the participants that the problem of student unrest was being discussed without even a single student representative being there. Nor had any college teacher been invited to the conference, though it is the college teacher — not the vice-chancellors or the principals — who have a day-to-day direct contact with the students. At last, the Governor, who had convened and presided over the conference, conceded that representatives of students and teachers would be associated with the deliberations of the conference at a later stage.

The self-righteous, patronising, and pedagogic tone of most participants left little hope that the proposed 'inter-generational dialogue' could be conducted on the basis of mutual respect and equality. The presumption underlying the discussions at the conference was that the students were a sick community; and the sickness needed diagnosis and treatment — albeit sympathetic — at the hands of the elders. But who would heal the physician? And what was the root cause of the physician's own sickness? These questions were evidently not even considered relevant.

There was general consensus at the conference that the students should not take part in politics. Why was it presumed that the students are any less informed and intelligent than their elders?

The real, though overtly condescending, concern at the conference was over the so-called 'exploitation' of the students by the politicians — which was another way of showing concern that political forces different from those to the liking of the elders have had influence over the young. The elders did not even touch the argument that student behaviour might become more disciplined and responsible and the political parties might become more answerable, if the students are encouraged to take more than academic interest in politics. There is indeed a case for conceding a greater share to the students in the management of their own affairs and that of the institutions in which they study. In this respect, the state of Jammu and Kashmir has a longer leeway to make up compared to the other states. In allowing students' unions to get formed in colleges and universities, in organising student activity in diverse fields including social work in the community, and in democratising the statutes of universities with a provision for an elected decision-making body of representatives of students, ways might be opened of understanding and redressing students' problems. But all that would presume a deeper faith in democratic institutions, which the conference failed to show any glimmerings of.

The problem of alienation as a cause of student unrest received scant attention at the Srinagar conference. The modern student is alienated not only from the campus but also from the society at large. What also specifically uproots and alienates the students of Kashmir from their cultural moorings is the language policy of the state. Total neglect of the mother-tongue at the college and university levels in the state is in glaring disregard of the opinion of the expert committees, the constitutional directives, and the language policy resolution passed by both Houses of Parliament. It is also at variance with the practice in the other states of the country. In fact, Kashmiri is the only language listed in the eighth schedule of the Indian Constitution, which has not received the Central subvention of Rs one crore for its development. Paradoxically, while Punjabi is one of the options for the compulsory language paper in the colleges of Kashmir — the other two being Hindi and Urdu — Kashmiri is not. Nor has the Dogri been given this privilege in the Jammu region.

It is partly the Kashmiri student's search for a sense of identity, beyond the limits of his language and culture, that has led him mostly in the direction of communal solidarity. Nevertheless, the relevance of language, culture,

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and history, in moulding the student mind hardly figured in the Srinagar Conference. The conference shared the widely-held convenient belief that the student unrest is a temporary by-phenomenon — one of the teething troubles of our developing economy —, and that it would automatically disappear when — thanks to our Five-Year Plans — job and career opportunities become plentiful. Thus many papers on student unrest, read at the conference, turned out to be simplistic essays in economic development. Another pet theme at the Srinagar conference was that films, TV, coffee houses, freer contacts between boys and girls, and decline of faith in religion, were responsible for the mischiefs of the students.

The elders of the state thus have little clue to the problems and motivations of the youth. In fact, out of fear and distrust of the emerging student power, the ruling leadership deliberately seeks to sanctimoniously block the avenues to its meaningful and constructive articulation. Indeed, instead of providing adequate institutional arrangements for evolving recognisable and responsible student leadership, the established political leadership have often picked up the already corrupt elements among the students for their own support, or have corrupted the more vocal elements from among the students to disrupt student movements. These have then been rewarded by licence for copying, appearing in examinations without completing lectures, etc. The so-called student leaders even acquired a say in the transfers and appointments of teachers and supervisory staff at examinations. Instances were cited at the conference of the way senior personages in politics and administration influenced the examiners to increase the marks of their wards. Small wonder that, by the current year, the examination system in the state has collapsed, and unrestricted mass copying has reduced the system to a farce.

However, what the elders' conference underlines more than anything else is the fact that the Sheikh — long acknowledged as the unchallenged leader of the Kashmiris in the tussle between India and Pakistan over Kashmir — is a nationalist but by no means a people's leader. As the tallest member of the older generation, who is acquiring an even more dominant voice in the establishment, he is accustomed to conformism and obeisance on the part of his vast following. While he preaches the rigid moral virtues of a bygone age and has taken upon himself the task of putting the students "on the right track", he has failed to comprehend the economic and linguistic problems of the people of the state *vis-a-vis* the state establishment itself.

It would, however, be an undeserved compliment to Pakistan to attribute defiance to the established authority and leadership by a part of Kashmiri youth to Pakistani instigation. While the appeal of religious solidarity from across the border to the students, who are alienated from their own community and culture, has been referred to earlier, the students' compulsion to fall back upon an extremist pro-Pak posture reflects their deeper helplessness and their incomprehension of the formidable power that is arrayed against them, and that no one of the elders who represents that power has shown them the alternative path that could both explain their situation to them and lead them out of it.

SOUTH

The Wrong Target

Mohit Sen

THE food situation in Kerala is acute. Only meagre quantities of cereals are available at the controlled prices. In the open market, the prices are prohibitive — rice, for example, sells for as much as Rs 5 per kilo in some places. Yet only a few miles across the border in Tamil Nadu or in Karnataka, prices are as much as 100 per cent lower. If there has been no starvation in the state, this is partly due to the wide public distribution network that has been maintained, however precariously. Partly it is also due to the dietary resilience of the people — fish, tapioca and jackfruit are being consumed in large quantities and by sections of the people who do not usually eat them. Having said this, it has to be emphasised that the suffering of the majority of the people is acute.

This is precisely the reason why the recent statement of the acting Union Food Minister, C Subramaniam, was not only so widely resented but contained so much of malicious menace. The strike in the FACT factory was used as a pretext to try to browbeat people who have already demonstrated much stoicism.

Equally questionable is the determination of E M S Namboodiripad to launch a movement to remove the Achuta Menon Ministry from office. According to the CPI(M), the earlier agitations had been concerned with piecemeal and economic issues. Their demand had been that the Ministry must resign. This time it was proposed to unleash such a struggle that the Ministry would be overthrown, the Assembly dissolved, and fresh elections made inevitable.

Namboodiripad has appealed to all to join his latest movement but covered up the call with a 'theoretical' postulate — the Left would initiate the movement, the 'non-Left' could join it! What he has not cared to explain is how the overthrow of the Ministry, the dissolution of the Assembly, and fresh elections are going to help to solve the problems of Kerala. If there is a semi-fascist regime in the country and if nothing can be done without the total destruction of the present system, what is the guarantee that elections would at all be held and even if held would provide opportunities for revolutionary change? From the point of view of the CPI(M) the most favourable possible outcome would be that, after all the dust and din has settled, the party would be back in power. But Namboodiripad had quit Chief Ministership in 1969 precisely because he felt that for a CPI(M) leader to be the Chief Minister only encouraged constitutionalist illusions among the people! Why should he now want to encourage these same illusions five years later?

The CPI(M) has to admit either that its entire programmatic understanding is wrong and that Ministries of Left and democratic forces are useful for the furtherance of the Indian revolutionary process or that the overthrow of the present Ministry in Kerala would be the prelude to, in the state and as an integral part of similar happenings elsewhere, precisely the kind of chaos that Jayaprakash Narayan is attempting to bring about on an all-India scale. Besides, if Kerala's food situation is serious, as anybody would agree, what are the solutions that the CPI(M) has to offer? And has it made even the least effort to try to contact all those who might agree not only with regard to the problem but also the means to solve it? On the contrary, why has EMS decided to make common cause with those, e g, elements in the Kerala Congress, with whom he cannot conceivably have agreement as to either diagnosis or cure?

What Namboodiripad has again overlooked, as in the agitations of the past, is that the Achuta Menon Ministry has survived not because of parliamentary manipulations but because of the mass prestige that it has earned through its record in office. Any number of flaws, failures and even exasperating delays can, of course, be pointed out. But there is a shine about the Ministry's performance that has enabled it to become the longest-lived in Kerala's parliamentary history. Moreover, the alliance on which it is based, in class terms, is the one that not only Kerala needs but is India's requirement as well. Its mass base is, however, incomplete because of the antagonism that the CPI(M) displays towards it. Quite a number of opportunities are lost because of this.

Against the threat of the CPI(M)'s movement, the Ministry and the coalition of parties on which it is based would have not only to close their ranks but commence a concerted political campaign also on a coalition basis. Naturally, law and order problems would have to be dealt with. At the same time, the political attack has to be countered by a political counter-attack. In addition, it is essential for the Left and democratic parties and forces, including those in the Congress, to face the attack on an all-India scale. A joint campaign will have to be initiated at various levels so that while the thrust of reaction is blunted, simultaneously the cutting edge of the forces of democratic transformation is sharpened.

NORTH

Heavy Power Leakages

A MAJOR dispute has developed between Punjab and Haryana over the distribution of river waters. Punjab has a well-developed irrigation system which is part of the Bhakra complex; in addition, it has nearly 2 lakh tubewells. On the other hand, several parts of Haryana are still dry. And, while ambitious canal projects have been launched in recent years — especially for the benefit of the 'real Haryana', i e, the southern districts — some of the canals remain without water for the greater part of the year and some others depend on regular supplies of Beas waters.

Thus Haryana's Chief Minister, Bansi Lal, has further stepped up Haryana's claim for Beas waters. The Punjab government has conceded to Haryana only 9 lakh acre feet of Beas waters, which is only a small part of the Beas project's total capability. And it is not prepared to let Haryana have any share in the Ravi waters. On the other hand, Haryana had earlier claimed 4.8 mn acre feet and has now raised its claim even further. An official spokesman of the Punjab government described the Haryana Chief Minister's claim as "totally divorced from realities"; he said it might prejudice the Centre's decision on the issue under the Punjab Reorganisation Act, 1966. The Ravi and Beas waters, he said, became part of Punjab's natural resources as they fell in Punjab's territory when on November 1, 1966, Haryana emerged as a separate state. These rivers do not even touch Haryana's territory and Bansi Lal's case is hence "untenable". Besides, as Haryana has no link channels as yet, it would not be able to utilise this water for quite some time.

However, Punjab had conceded that, taking a liberal view of and with full consideration for Haryana's growing needs, Haryana could have 9 lakh acre feet of Beas waters. But Haryana had in October 1969 staked a claim to 4.8 mn acre feet of the Ravi-Beas waters, although the Reorganisation Act had not mentioned the Ravi river waters. The gap between Haryana's demand and the supply conceded by Punjab is too wide to be easily bridged. During his visit to Chandigarh on May 21, the Union Irrigation Minister, K C Pant, announced that the dispute had been referred for decision to the chairman of the Central Water and Power Commission.

Power Board Mess

Meanwhile, the Punjab State Electricity Board has been directed by the Centre to eliminate speedily the abnormally high leakages of power and hence of revenue, as these have plagued the Board's finances. Data collected by the Centre has underscored that about 30 per cent of the power consumed by the state's farmers and traders brings virtually no revenue to the public exchequer. Most of the tubewells have no meters, and power bills are paid on an *ad hoc* basis. Thus while the average per head monthly consumption of Punjab farmers is between 5 and 6 kw, most of them pay for only 2 kw. The consequent annual loss to the government under this head is estimated to be approximately Rs 50 lakhs. Line and transmission loss and pilferage occur on a large scale. The Board's functioning is evidently grossly mismanaged.

The Board's latest report reveals some more disconcerting features. The percentage of working capital to sales increased from 149.1 in 1970-71 to 203.9 in 1972-73 and that of gross profits to capital employed fell from 4 to 2.7 during the period. Even the additional income of Rs 6 crores expected this year from an upward revision of the power tariff since the beginning of May last will not help the State Electricity Board to come out of the red. The deficit estimated for 1974-75 is Rs 20 crores. The gross profit of Rs 5.12 crores in 1972-73 turned into a net deficit of Rs 12.84 crores, owing to the unduly heavy interest payments. The burden of interest is also mounting. The total interest charges during 1973-74 were Rs 20.37 crores — including Rs 8.57 crores on the loans for the Beas project and Guru Nanak thermal plant. With the total debt rising to Rs 318 crores (Rs 273 crores from government alone) interest charges will amount to over Rs 23.77 crores in the current year. Mismanagement, inefficiency and widespread corruption in the State Power Board are common knowledge.

To the Punjab's insistent plea for more power to the extent of the 30 per cent shortage, the Union Finance Minister has given a firm answer: No financial assistance would be forthcoming for this purpose unless the leakage of power in the state is stopped. As if anticipating this reaction, Punjab had expressed its opposition to the Centre's hegemony over the state's power projects. The Electricity Board is in fact a drag on Punjab's economy, and its continuous and heavy losses are recovered from the general public via taxes.

Punjab's excessive dependence on Bhakra hydel power has meant that shortages and power cuts can be endemic — which both agriculturists and industrialists greatly dread. Out of the 29 lakh acres of the state's irrigated area 17 lakh acres are fed by tubewells. Though this underlines the vital role of electricity in stepping up farm production, when the Himalayan snows do not melt sufficiently the Bhakra reservoir does not get filled. Indeed this has become a regular feature, causing much economic dislocation. Hence the plea for more power projects and the frustration over the Centre's delay in giving sanction to them.

JAPAN

A House of Cards?

V L Rao

AN important factor in Japan's post-War growth, which is often ignored, is the peculiar financial structure of most Japanese companies. An analysis of the balance-sheets of the industrial and trading companies listed on the First Section of Tokyo's stock market shows that, on average, equity capital and capital raised from internal sources account for only 15 per cent of the total capital employed in these companies. The remaining 85 per cent is borrowed. The President of Sumitomo Chemicals is reported to have once said that if he took his company's balance-sheet to an American bank and asked for a loan, he would be laughed at.

During the American Occupation, the Financial Adviser of the Occupation Administration advised the Japanese government to put a rein on bank lending. Otherwise, the whole economy would collapse one day like a house of cards, he predicted. However, this was one piece of advice which the Japanese government ignored, once the Occupation was over. On the contrary, the government decided to actively encourage the banks to lend.

The linchpin of the system is the ordinary Japanese householder, one of the most thrifty in the world. In preparing the family budget, every Japanese puts aside a fixed amount of savings, and he does not touch it except in times of dire need. The salary structure also helps to maximise savings, with workers receiving annual bonuses ranging from 6 to 12 months' wages and salaries. The only savings most Japanese know is money in the bank, and almost all the savings of millions of Japanese flow into the Japanese banks. The banks engage in bitter competition to attract these savings.

Traditionally, Japanese companies are not very keen to raise capital by issue of shares. If at all they issue capital, they do so mostly in the form of 'rights' issues to existing shareholders. Partly, this is because Japanese companies believe it is necessary to have a good dividend rate, and a large increase in equity capital would result in watering down of the dividend which in turn would cause the price of the shares to go down. It is a matter of 'face' to maintain high dividends and command respectable share prices in the stock market. An equally important reason for the companies' reluctance to issue shares is that they do not want too many shares floating around in the market lest they lose control to others. Companies can, of course, raise funds by issuing bonds, but the bond market in Japan is still not very well developed, and bonds contribute only about 3 per cent of corporate funds supply.

Thus companies have perforce to turn to banks for their capital needs. An added inducement is that, unlike dividends, which have to be paid out of tax-depleted profits, interest payments to banks can be legitimately debited to business expenses. And the banks lend to them freely, for long periods and in virtually unlimited quantities — subject to but one condition: that the money is used for increasing production or building new plants. The more new plants were built and the more production rose, the workforce increased. This in turn meant that savings increased and banks lent the increased savings for further production and expansion. This process of massive and continuous investment in expansion of production has been one of the key factors in Japan's economic growth.

Promissory Note

But this is not the whole story. Almost all wholesale buying and selling in Japan is done on 'tegathas' or promissory notes, usually payable after three months. Companies buy raw materials as well as plant and machinery from their suppliers on three months' credit. In turn, they sell their products to their customers and to wholesalers on three months' credit. And everyone discounts the 'tegathas' with the banks or draws loans against them. It is all one big credit spree with banks at the centre.

The extraordinary part of it is the enormous risks the banks have taken and continue to take. On March 31, 1962, the ratio of loans made by Japanese banks to their deposits was 107 per cent; that is to say, the loans made by the banks exceeded their deposits! The banks simply borrowed funds from the Bank of Japan and the short-term money market. Such borrowings amounted to 27 per cent of their deposits on the above date. It is clear, therefore, that the Bank of Japan actively encouraged the banks in their lending spree, though, since then, it has compelled the banks to bring down the loan/deposit ratio somewhat. Still, the Japanese banks' credit-deposit ratio was 97 per cent at the end of March 1970. The banks had on that date borrowings equal to 9.5 per cent of their deposits from the Bank of Japan and 10.8 per cent from the short-term money market. A look at the funds position of a Japanese bank is guaranteed to make any Indian banker's hair stand on end!

What all this means is that if there is a really severe recession, the whole structure would collapse like a house of cards. If for various reasons, the demand for goods and services drops sharply and factories are forced to reduce production, firms all over the country would be unable to pay off their creditors, resulting in a large number of bankruptcies. In view of the large credits given by firms to each other, this would set off a chain of bankruptcies. This in turn would trigger a run on the banks which, in their over-loaned and illiquid position, would have to close their doors and the whole structure would come crashing down.

But this has not happened. No doubt, it was touch and go in the beginning. But the Korean war gave the initial impetus and the ensuing growth was self-sustained. Now the system has taken too deep roots to be easily changed. The pattern of personal savings is slowly changing, with more money going into shares and securities, and over a period of time the system will no doubt be gradually strengthened and eventually secured. In the meanwhile, it feeds on growth. If the rate of growth comes down too sharply and stays low over a long period, the danger of collapse would be very real indeed.

In spite of this danger, the government and the Bank of Japan deliberately create minor recessions once every three to five years. Of course, the word recession here must be understood in the Japanese context — when the GNP rises by 6 per cent instead of 12 per cent, the Japanese call it a recession! Nevertheless, its effects are very similar to those of a real recession. The necessity for these periodic 'recessions' is built into the system. When GNP grows rapidly, demand rises and supply cannot catch up, leading to price increases; these lead to substantial wage rises, which in turn lead to further price rise. Price rises make exports less competitive and less profitable, and exports fall. At the same time, demand for raw materials and imported goods goes up and imports rise. When exports fall and imports rise, the balance of payments is threatened and the government and the Bank of Japan step in to correct the position. All that the Bank of Japan has to do is to reduce its lendings to the banks, thereby forcing the banks to reduce credit to business and industry. In fact, the Bank of Japan exercises detailed controls, known as window controls, regulating banks' credit not only to particular industries but to individual firms. The companies then have to cut down on investment in plant and equipment and reduce their stocks — and a Japanese style recession is created. These days, due to the accumulation of enormous foreign exchange reserves, the balance of payments is not much of a problem. But, meanwhile, the Japanese public has become conscious of inflation, which is constantly eroding their savings and their standard of living. The government has therefore to create these mini-recessions periodically in order to check inflation.

In fact, these recessions have been good for the economic system; like a purgative, they have flushed out the under-capitalised (by Japanese standards) and inefficient firms. Every recession inevitably results in a spate of bankruptcies. In 1970, for example, 9,765 firms with liabilities of 729 billion yen (Rs 2,187 crores) went bankrupt. A bankruptcy usually has a domino effect, not only on firms to whom money is owed, but also on subcontractors who proliferate in Japan. Almost all the bankruptcies are of small firms and bankruptcies of large firms are very rare, as the large firms have strong ties with the government and the banks, and can generally manage to get credit even when the situation is precarious In any case, the government will not allow a large firm to fail, as one such failure could trigger off a collapse of large parts of the economy. To illustrate, let us take a look at the funds position, as of March 31, 1971, of the Mitsubishi Corporation, Japan's largest trading firm. Its total liabilities (consisting of bills payable, accounts payable, short-term loans, long-term loans and other liabilities) were 1,628 billion yen (Rs 4,884 crores). But the company's net worth (*i e*, equity capital plus self-generated funds) was only 56 billion yen (Rs 168 crores). In other words, the liabilities were 2,900 per cent of net worth. Bank loans alone were 900 per cent of net worth. What is more significant is that as much as 1,363 billion yen (Rs 4,083 crores) of the assets were in the form of credits and loans to customers and subsidiaries. If a sufficiently large number of Mitsubishi Corporation's customers failed, Mitsubishi would be in serious trouble. And, in view of Mitsubishi's enormous liabilities, that of course means that the Japanese economy itself would be in trouble. Naturally, the government would never let that happen.

What has helped the government in managing this lop-sided financial structure is the confidence and the faith of the ordinary Japanese in their country and government. There has not been a single case of a run on banks since the War, recession or no recession. In the seemingly big risks they have taken, the financial managers of the economy were betting on the average Japanese citizen's blind confidence in his country.

SOUTH VIETNAM

Liberated Areas Consolidated

Harish Chandola

DURING the first six months of this year the Saigon administration utilised over a million troops and police to launch thousands of operations in order to narrow down the areas under the control of the Provisional Revolutionary Government of South Vietnam (PRG). Supported by artillery and aircraft, the Saigon forces launched multi-division attacks to push back the area of control of the PRG and simultaneously tried to eliminate the leopard spots with battalion-size operations. (When the ceasefire came into being in January, last year, it was discovered that the PRG, besides the continuous areas under its control from north to south, held several other areas right in the midst of territory held by the Saigon troops. These are now called leopard spots.) The Saigon administration also moved police officers into all jobs of hamlet chiefs and other key positions in order to conduct large-scale "pacification" operations. But after a few initial losses, PRG forces have now recovered all the liberated areas. In the process, they wiped out 115,000 Saigon troops involved in these operations in the first half of this year.

What is generally asked about the new situation in South Vietnam is whether all this fighting is necessary after the ceasefire? It would have certainly not been necessary had the Thieu administration accepted the provisions of the Paris Agreement of last year and agreed to the setting up of a Council of National Reconciliation and Concord of the three segments (Thieu administration, PRG, neutralist forces), which was to arrange free and fair elections in South Vietnam to bring about lasting peace. Instead of implementing the provisions of the Paris Agreement, the Thieu administration has tried to hold its own elections to its Senate and so-called local bodies so as to 'strengthen' its position.

Thieu had earlier called upon his troops to "launch pre-emptive strikes" and attack "areas controlled by communists in order to destroy their grass-roots". He had also proclaimed the "three nos" — "no acceptance of peace, no democratic liberties and no national reconciliation and concord". Faced with such an uncompromising policy and the consequent attacks, the people of the liberated areas had no option but to defend themselves and push back the invading forces.

This process of defending the liberated areas has led to their consolidation and prosperity. The cultivated acreage in the liberated areas has been increased to a million hectares, several hundred thousands of which are reclaimed land. Thanks to the expansion of cultivation and the building of water conservancy projects, in many areas an increased output of grain has been achieved through double and treble cropping. Almost all the rubber plantations in Binh Phouc province, in the east of South Vietnam, have resumed production. A good harvest of early rice has been reaped in the liberated areas of the Mekong delta this year. The per hectare yield has been between three and six tons. In some districts of Tra Vinh province, the areas planted with early rice this year are treble the size of 1972. The people have solved the grain shortage problem caused by the Thieu administration's "economic blockade" policy. With the rehabilitation and development of agriculture production, communications, transport, handicrafts, education and public health have all recovered and made good progress. Many roads have been repaired and built. A recent US press report stated that in the liberated areas the "north-south journey by truck which once took two to three months, now takes only 15 days".

Partly due to the increasing prosperity of the liberated areas, thousands of people who had been driven into the concentration camps called "strategic hamlets" by the Thieu administra-

tion, rose in struggle and returned to or crossed over to the liberated areas to build a new life. From April 20 to May 21, this year, over 18,000 people in areas held by the Thieu administration in the provinces of Quang Da, Quang Nam, Quang Ngai, Binh Dinh and Kontum set themselves free from the Saigon regime's control and went over to the liberated areas. During the past year, some 100,000 Saigon troops have mutinied and deserted after refusing to carry out orders to attack the liberated areas. Many of them crossed over with their weapons. The PRG has warmly welcomed all these people and the deserting Saigon troops and given them work and the means to build a new life.

In the past year, the prestige of the Provisional Revolutionary Government has also increased in the international arena. The PRG now has diplomatic relations with 40 countries. Many countries and international conferences have strongly supported the PRG. Diplomatic envoys of many countries have gone to the liberated zone to present their credentials to the leaders of the PRG and a number of friendly countries have sent delegations there on visits. All this has been a heavy blow to the Thieu regime which tries to deny the existence of the revolutionary administration, the people's army and the liberated areas of South Vietnam, all of which have been recognised by the Paris Agreement.

REVIEW

Presidents or Puppets?

Manju Mehta

Struggle for Rashtrapati Bhavan: A Study of Presidential Elections by Z M Quraishi; Vikas, Delhi, 1973; Rs 35.

POLITICAL events in India during the last few years present an unedifying spectacle and all norms of representative and responsible government are at vanishing point. While the entire political structure is under question, recent events have focused attention on whether the president should continue to be the helpless abettor of the frequent "constitutional breakdowns" in the states. This brings us to the position and powers of the president. Quraishi asserts that the position of the president is equivocal as a result of the Constitution's ambiguities. For instance, in the Constituent Assembly the position of the president was interpreted as the "president in consultation with the cabinet". Quraishi further states that though the constitution-makers design was to establish the supremacy of parliament, ample scope was left for presidential initiatives within the framework of parliamentary responsibility. The author here seems to have confused the two levels of authority and power. He even works up the hypothesis that a president could assume power within the existing constitutional set-up, but neither by logic nor by empirical evidence does he convince the reader of his assumption.

Here it would be of some help to go back to the proceedings of the Constituent Assembly, especially to Ambedkar's definition of the president. Ambedkar defined the president as "the head of the state and not of the executive. He represents the nation but does not rule the nation. He is the symbol of the nation". It must also be remembered that the Constituent Assembly was dominated by Congressmen who strongly felt that Congress rule in the country would be eternal and they equated the president with the British monarch in the hope that through the years conventions would develop.

Conventions did develop. But they have all tended to make the president an instrument of the prime minister and cabinet in Delhi. For example, the president takes office under Article 60 pledging, "I will to the best of my ability preserve, protect and defend the constitution". In practice, the presidential office has been used by the executive to declare collapse of the constitution whenever the latter so desires.

The president's capacity for action is very limited and even in this limited field his influence can only be indirect — depending on his personal relationship with the prime minister. The crux of the matter is that a powerful president who can view a situation objectively and independently is inconsistent with party dictatorship.

Some presidents have been conscious of these limitations. Rajendra Prasad publicly questioned the functions and powers of the office he occupied and asked the Law Institute to undertake a study of them in their socio-political context. But the Congress party failed to appreciate the spirit of the suggestion. However, Quraishi quite optimistically predicts that a weak presidency is no enduring phenomenon as its power position is dependent on a number of variables like the views of the Supreme Court, the president's personal equation with the prime minister, the configuration of parties in parliament and the country's federal structure.

The author proceeds to give a detailed account of the electoral process. The presidential electoral system was fashioned to suit the prevalent concept of presidential functions. The constituency — an electoral college consisting of members of Union and state legislatures with variously weighted votes — that elects the president is such as to keep the event far from public involvement. The weighted, preferential voting system in the presidential election involves so complex a calculus that the ordinary citizen cannot easily comprehend it. These arrangements are calculated to ensure the leading role of the prime minister on the one hand and to make the election a political non-event on the other.

Quraishi also takes up each presidential election and studies its results in the larger context of the changing political environment. The first three presidential elections were routine affairs. The Congress process of selecting a presidential nominee was an intra-party settlement struck between its contending factions. No factional leader staked his own claim for the position but instead put forward prestigious and non-controversial figures for consideration. Initially the opposition made futile attempts to secure a non-party man for the presidency. Then in 1957 the opposition formulated a new demand for national consensus in the choice of a more acceptable presidential nominee. But the sense of complacency pervading the Congress frustrated the opposition's efforts to engage in dialogue and a deep political apathy set in as revealed both in the 1957 and 1962 elections when the opposition simply accepted the Congress' presidential nominee. "The Congress and the opposition became willing parties to a strange conspiracy of making the presidential elections a futile ritual, an opportunity for attracting national attention towards their obscure personalities and obscurantist ideas".

The fourth general election in 1967 accelerated the process of structural differentiation. For the first time, the non-Congress parties made a determined bid to emerge from their role of pressure politics into a role of forming alternative governments. To make the process of Congress disintegration at the Centre complete, the opposition tried to impose a president of its own choice.

Under such critical conditions the Congress nominated a Muslim candidate, Zakir Husain. Quraishi explains this seeming paradox. The decision-making group in India consists of a kaleidoscopic configuration of minorities. This configuration has built-in safeguards against sectarian and extremist encroachments. It is, therefore, possible to elect a representative of a particular minority to responsible office with the help of a collection of other minorities. Zakir Husain's nomination also demonstrated a desire to uphold the secular commitment. It was hoped that the secular initiative, besides boosting the party's morale, would 'revitalise the masses and integrate the country'. The choice of Zakir Husain was, of course, also motivated by his personal prestige and by Indira Gandhi's confidence in him which was most necessary in the new political circumstances.

The opposition parties put up Subba Rao as their nominee. (This raised an important constitutional question regarding the propriety of the political aspirations of judges.) The opposition, at the same time, indulged in smear politics and invited defections from within Congress ranks through communal and regional appeals. The Congress, however, relied on its own strength and mobilised its organisation to ensure the Congress vote. The Congress party whip's decrees in this regard were denounced by the opposition as illegal interference in the free choice of members. But such a denunciation would not be upheld in any court of law.

The sudden death of Zakir Husain while still in office led to the presidential election of 1969. This election was very important in that it crystallised schisms within the Congress party. For the first time, Congressmen did not solidly support the party's official nominee and a large number of them helped a non-Congressman to defeat him with the backing of the prime minister. Schisms also permeated the opposition which could not agree about a jointly sponsored candidate. In effect, the election reinforced the predominant role of the prime minister in decision-making *vis-a-vis* the party bosses.

Though V V Giri's tenure is not covered in this book, a major issue concerning his position re-occurs. Giri was an important prelude to Indira Gandhi's "Garibi Hatao" programme. He was a controversial figure before his election to the presidency. He was the first president elected by the backing of a substantial number of non-Congress legislators. He had repeatedly declared that he was an independent personage and not a mere appendage to the ruling class. All these factors had built up expectations that he would be able to operate with some degree of judicious independence. But during his entire term he could do nothing more than dissolve state assemblies. This, perhaps, proves that within the confines of the present constitutional-political system the possibility of a strong president is extremely remote. Quraishi's book would have been more useful if it had been critically analytical on such issues. Statistical data and impressive bibliographies are abundantly distributed throughout his book, but the reader has to be satisfied with a schematic framework which reveals little that is new or provocative. His study remains at the convenient level of the obvious.

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(Incorporated under the Companies Act 1956) Registered Office—77/1A Park Street Calcutta 700 016 .

Subscription list opens on Monday the 29th July, 1974

HISTORY AND PROPOSED ACTIVITIES :

The company was originally incorporated on 14th October, 1965 as Traco Traders Private Limited and was converted into a public Limited Company on 30th November, 1972. The name of the company was subsequently changed to TRACO CARBIDE LIMITED and a fresh certificate of incorporation was obtained on 29th November, 1973. The objects of company are fully stated in its Memorandum of Association and the main objects of the company are to carry on the business of chemical and allied products and manufacture of Calcium Carbide.

Chemical and Metallurgical Design Company (P) Limited, New Delhi have established that this project is technically and economically viable. The project comprises of setting up of a sub-merged Electric Arc furnace for the manufacture of Calcium Carbide together with captive lime kiln and other auxiliary services. It is proposed to manufacture 14,850 tonnes of Calcium Carbide annually.

The Project comprises of setting up of a sub-merged arc furnace for the manufacture of Calcium Carbide together with captive lime-kiln and other auxiliary services.

The factory will be set up at Ikra, Dist. Burdwan and the Company has already obtained approx, 6 hectares of land on long term lease from the Government.

The factory site is very close to the Ikra Railway Station on the Broad Gauge Sitarampur/Andal — loop line. This location together with the proposed erection of the railway siding will be advantageous for raw materials as well as finished products. Since the Damodar Valley Corporation is agreeing to supply the entire power requirement of the Company it is anticipated that there will be no difficulty in maintaining regular producton.

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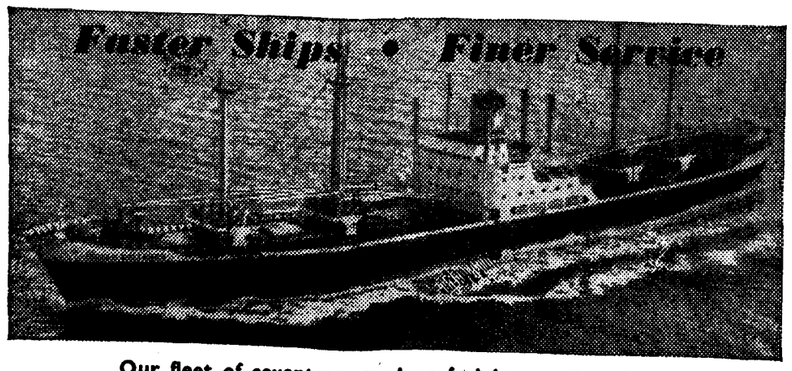
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The Oil Crisis: An Economic Analysis and Policy Imperatives

Ramesh Bhatia

Higher costs and uncertainties of crude oil imports portend a major crisis for India. The estimates are that crude imports may account for around 50 per cent of our export earnings in 1978.

The crisis cannot be met without appropriate policies which aim at curbing the misuse of oil products as is currently happening, and at the same time, providing for maximum of essential oil products from a minimal quantum of crude oil.

A major proportion of the residual heavystock from crude oil is currently used as furnace oil in industries where alternative sources of energy are domestically available. The same heavystock could, through secondary processes such as hydrocracking, yield large quantities of petrol, kerosene and diesels.

About 4.3 million tons of heavystock, if diverted from its use as furnace fuel and reprocessed (through hydrocracking) would yield about 3.2 million tons of kerosene and diesels. The same quantity of these essential products is obtained, through simple refining, by processing about 7.6 million tons of crude oil.

Thus, a diversion of 4.3 million tons of heavystock from furnace fuel to hydrocracking would reduce oil imports by as much as 7.6 million tons, reducing the import bill by about Rs 456 crores per annum.

HIGHER costs and uncertainties of crude oil imports portend a major crisis for India if appropriate decisions are not taken in time. In 1972, India imported about 63 per cent of its crude oil requirements spending nearly Rs 200 crores in foreign exchange. The cost of oil imports in 1973 is estimated to be of the order of Rs 500 crores, more than 25 per cent of our export earnings. If the price of crude oil increases to 12 dollars per barrel, the foreign exchange costs of crude oil imports may be around Rs 1,000 crores in 1974. The outflow of foreign exchange resources on account of crude oil imports (24 million tons) in 1978 is then likely to be of the order of Rs 1,700 crores, accounting for more than half the country's export earnings. The implications of this for the country's other priority imports of machinery and raw materials are obvious. It can seriously jeopardise the efforts for the growth of the economy.

The crisis can be averted only by policies which aim at rationalising the use of crude oil and thus reduce our dependence on crude imports to the minimum. Although efforts at economic diplomacy in securing the best possible terms for payments for oil imports should be made, solutions to the crisis lie in other directions.

The success of our economic diplomacy would depend on persuading the oil exporting countries to charge concessional price for their oil sent to developing nations such as India. The establishment of the OPEC Bank by the Organisation of Petroleum Exporting Countries (OPEC) to provide soft loans to developing nations would only mean that the burden of the oil import bill would be deferred for a few years. Bilateral arrangements for increasing commodity exports from India to oil producing countries would not be a desired solution either. Higher exports of commodities such as sugar, vanaspati, cement, machinery, iron and steel, structurals and transport machinery to these countries would be either at the cost of exports to other countries or would further aggravate shortages of these commodities within the country. Rather than relying on foreign exchange reserves (IMF borrowings in the short-run) and increased exports of scarce consumer and capital goods to foot the increased oil import bill, the policies must aim at reducing the imports of crude oil.

The above could be done by (i) increasing the indigenous production of crude oil; (ii) reducing the demand for oil products and (iii) the optimum utilisation of available crude oil through appropriate secondary processes in refining. The efforts to step up indigenous production of crude oil are being made and the additional quantities available would correspondingly reduce imports. Demand for kerosenes and diesels (which determine the quantum of crude throughput) can be minimised by providing coal and/or electricity in place of these products for use in homes, irrigation and railways. However, this substitution can affect the demand only marginally because nearly 80 per cent of diesel is currently used for road transport alone. At any rate, the substitution would be subject to the considerations of other 'economic costs'. Finally, an alternative way of reducing crude imports can be the reprocessing of the residual heavystock (obtained in the first round of refining crude oil) to produce again the maximum of essential products such as kerosenes and diesels. However, before the merits and demerits of this alternative are examined, it would be useful to review the trends of product demands and the decisions to meet them.

II

Consumption Trends and Refining Policy

Consumption of petroleum products in India has increased from 3.9 million tons in 1951 to 22.6 million tons in 1972. In 1951, consumption of petroleum products was 3.9 million tons of which 3.5 million tons were imported (Table 1). In 1961, product imports declined to 30 per cent of the consumption of 8.4 million tons. In 1971, the proportion of product imports was only 9 per cent of the total consumption of 20.6 million tons of oil products.[1] This import substitution was achieved by processing more crude oil in Indian

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refineries. Although indigenous production of crude oil steadily increased from 2.9 million tons in 1965 to 7.4 million tons in 1972, crude imports accounted for about two-thirds of the crude throughput of Indian refineries during the period 1965-1972.

The requirement of crude throughput depends on the interaction of various economic and technological factors owing to the fact that all the oil products are obtained simultaneously from one raw material, namely the crude. The proportion in which these products are obtained depends (a) on the type of crude oil that is used and (b) the extent of complexity in refining operations. Simple refining of crude oil is essentially a process of separating gases, gasolines, naphtha, kerosenes, diesels and residue in a distillation column. A simple refining of crude oil (34° API) will yield about 14 per cent of naphtha or petrol, about 19 per cent kerosenes and jet fuel, about 23 per cent diesels and about 42 per cent residual heavystock. A complex refinery, with suitable secondary processing, can increase the yield of light distillates (naphtha or petrol) or middle-distillates (kerosenes and diesels) up to 70 per cent of the crude charged. Thus, the type of refining scheme and the level of total throughput are ideally determined by the interaction of the determining factors: (a) the product pattern of demand for oil products; (b) the regional pattern of demand for oil products; (c) the relative costs of importing final products, intermediate products (fuel oil) and crude oil; (d) the prices and possibilities of product exports; and (e) the relative costs of various refinery processes such as atmospheric distillation, catalytic cracking, hydrocracking and coking. But the practice all along has been far removed from the ideal.

Table 2 presents the product pattern of consumption and production of petroleum products in 1971.[2] Petrol or gasoline which is used in cars, scooters and light vehicles accounted for 7.8 per cent of total consumption of 19.49 million tons. Naphtha, which is nothing but unrefined petrol and is meant for use as feedstock for fertiliser and petrochemical plants, accounted for about 5.5 per cent. Kerosene for cooking and lighting and aviation turbine fuel used in jet engines constituted about 18 per cent of the total. Of the 4.22 million tons (21.6 per cent of the total) High Speed Diesel (HSDO) about 80 per cent was used in trucks and buses, about 12 per cent in railway engines and about 1 per cent in tractors. About 40 per cent of the Light Diesel Oil (LDO) consumed was for irrigation pumps, about 7 per cent in power generation and about 10 per cent in industry. The residual heavystock available from crude refining is used as fuel oils, refinery boiler fuel and as feed for special products such as bitumen, lube oils, petroleum coke, etc. The bulk of the fuel oils (4.97 million tons) is currently used as furnace oil in various industries such as power generation, textiles, cement, iron and steel, sugar, fertiliser, chemicals, etc. In addition, about 1.15 million tons of residual heavystock was used as refinery boiler fuel in 1971.[3] The pattern of demand for petroleum products, particularly kerosene and diesels, has been the primary basis for estimating the requirements of refining capacity (crude throughput) in the country.

Briefly, this approach assumes that it is more economic to import crude oil than petroleum products. The quantum of crude throughput is estimated in terms of the quantities of middle-distillates (kerosene, aviation fuel and diesels) required. To illustrate, if the demand for kerosene and diesels is estimated at 1 million tons, the quantity of crude to be processed is estimated as 2.38 million tons. On this basis, a total crude requirement of 36 million tons has been estimated for 1978 in order to yield about 16.26 million tons of middle-distillates.[4]

By employing this simplistic approach the country has committed itself to a much higher refining capacity than was necessary. Indeed, the case for progressively higher crude refining was built upon the argument of increasing demand only of kerosene and diesels. However, when the benefits of crude importation were questioned, the justification was inevitably given on the basis of comparing the costs of importing all the products obtained by refining crude with the cost of importing crude alone. The approach ignores the fact that if at the margin only one or two products are required, it would be more economic to import the products rather than import crude oil required to obtain the given quantity of these products.[5] Apart from revealing the unclarity and irrationality underlying the policy all along regarding the overall requirements of the country, it does raise serious doubts as to the disposition of our decision-makers.

The gravity of mistakes committed so far is yet to be fully assessed. In the early years, surpluses of petroleum products such as naphtha and fuel oil (together accounting for about 50 per cent of all the products) were treated as by-products to be disposed of indiscriminately and thereby hangs a tale.

TABLE 1: IMPORTS OF CRUDE OIL AND PETROLEUM PRODUCTS

(million tons)

Year	Consumption of Petroleum Products (1)	Imports of Petroleum Products (2)	Crude Throughput in Indian Refineries (3)	Imports of Crude Oil (4)	Crude Imports as Per Cent of Total Crude Throughput (4)÷(3)
1951	3.89	3.51	0.27	—	—
1955	4.82	2.07	3.34	3.03	90.1
1961	8.39	2.48	6.44	5.97	92.7
1965	12.28	2.88	9.75	6.81	70.0
1966	12.97	2.21	12.03	7.46	62.0
1967	14.09	0.95	14.43	8.70	60.3
1968	15.83	0.93	16.10	10.45	64.9
1969	17.34	1.05	17.50	10.70	61.2
1970	18.74	0.97	18.46	11.66	63.2
1971	20.64	1.93	19.59	12.69	64.7
1972	22.62	3.26	19.67	12.28	62.4
1978 Estimated		—	36.00	24.00	66.7
1984 Estimated		—	60.00	45.00	75.0

Notes: (1) Value of crude imports in 1971 was Rs 140 crores and that of product imports was Rs 43 crores. Value of product exports in 1971 was Rs 2.5 crores.
(2) The cost of oil imports in 1973 is estimated to be of the order of Rs 500 crores, about 30 per cent of our export earnings. In 1974, crude oil imports may cost as much as Rs 1,000 crores.
(3) The estimates for crude throughput in 1978 and 1984 are based on the draft Fifth Plan and other published sources.

Source: "Indian Petroleum and Chemicals Statistics", 1971 and 1972, Ministry of Petroleum and Chemicals, New Delhi.

TABLE 2: PRODUCTION AND CONSUMPTION OF PETROLEUM PRODUCTS: 1971

Petroleum Product	Production		Consumption	
	(Million Tons)	(Per Cent)	(Million Tons)	(Per Cent)
(1) Liquified petroleum gas (LPG)	0.27	1.5	0 27	1.4
(2) Motor gasoline (Petrol)	1.65	8.9	1.52	7.8
(3) Naphtha	1.18	6.4	1.07	5.5
(4) Kerosene and aviation turbine fuel	3.84	20.6	3.51	18.0
(5) High speed diesel	4.36	23.5	4 22	21.6
(6) Light diesel oil	1.07	5.8	1.19	6.1
(7) Fuel oils	4.10	22.1	4.97	25.5
(8) Bitumen	0.98	5.2	0.95	4.7
(9) Lube oils	0.37	2.0	0.56	2.6
(10) Other products	0.72	4.0	1.33	6.8
(11) Total products	18.54	100	19.49	100
(12) Refinery boiler fuel			1.15	
(13) Total consumption			20.64	
(14) Total crude run	19.59	—	—	—

Notes: (1) Consumption of naphtha as feedstock for fertiliser units was 0.77 mn tons in 1971; the rest was used in petrochemical units.
(2) Other products include petroleum coke (0.15 mn ton) and wax (0.04 mn ton), jute bleaching oil, SPB spirit, etc.

Source: "Indian Petroleum and Chemical Statistics", 1971 Ministry of Petroleum and Chemicals, New Delhi.

As pointed out in a detailed study[6] on investment planning for petroleum and petrochemical industries this approach to estimating refining capacity rules out any considerations of foreign trade options, refinery process choices, fertiliser feedstock choices and use of alternative sources of energy for many industries. Not only that this simple method does not permit a detailed evaluation of techno-economic options but it leads to distortions in choices at various levels and overall extravagance in the economy. We shall examine these aspects in detail in the forthcoming discussion.

The naphtha surplus of the sixties which was a direct consequence of higher crude throughput was used as a plea for fixing a very low price for naphtha (by reducing excise) thus making it the 'best' feedstock for fertiliser production. The price of naphtha was kept so low that every business house wanted to build a naphtha-based fertiliser plant resulting in the dependence of the country on imported naphtha or crude oil. It is necessary to recall that naphtha-based plants were more profitable because the relative price of naphtha was kept lower than that of fuel oil though social benefit-cost analyses showed that fertiliser plants based no fuel oil were more beneficial from the nation's point of view.

The temporary surplus of naphtha and its artificially low price were responsible for the neglect of other feedstocks for fertiliser production. Natural gas which can be used as feedstock for fertiliser and petrochemical units and has relatively lower investment costs was either flared in the atmosphere or used as source of fuel. The result is that even in 1972, only about 60 per cent of the total natural gas produced has been utilised.[7] Of the total gas utilised, fertiliser plants accounted for around 30 per cent, the rest being used for purposes where domestic fuels could have been substituted. For example, the total natural gas used in two power houses (Uttaran and Dhuvaran) was higher than the total used in the Gujarat Fertiliser Plant and other industries in Baroda. Utilisation of natural gas in fertiliser industry would have meant lower demand for naphtha[8] as well as lower investment costs. However, the most deleterious effect of the surplus (and low price) of naphtha has been the vitiation of the country's fertiliser technology and delayed development of coal-based fertiliser plants appropriate for our country.

It is not as if due to arbitrary pricing policies naphtha alone was used in place of other feedstocks. Indeed similar misuses occurred in the case of fuel oil. Given the fact that the country was landed with huge quantities of fuel oil (which need not have happened in the first place) its more beneficial — although not the optimum — use would have been as feedstock in fertiliser plants rather than as furnace fuel in many industries. Many units in power generation, cotton textiles, cement, iron and steel and various other industries are now using residual heavystock as boiler fuel where alternative domestic sources such as coal and coal gas should have been used. Since there are very few industries where fuel oil is absolutely necessary on account of technological considerations, substitutes like coal could have been provided in place of fuel oil. Requirements of fuel oil were not subject to scrutiny because of higher availability from higher crude throughput apparently required for meeting the demand for kerosenes and diesels. The resulting pattern of use of residual heavystock in 1971 can be seen in Tables 3 and 4. Table 3 shows that out of a total consumption of 4.97 million tons of fuel oils power generation accounted for 26 per cent, various industries for 47 per cent, coastal shipping and international bunkers for about 6 per cent and other uses for about 11 per cent.

The regional pattern of consumption of furnace oil in power generation are presented in Table 4. It may be noted that the bulk of the furnace oil is used as the main boiler fuel in some power stations in Gujarat, Maharashtra and Bihar. Use of furnace oil as auxiliary fuel for coal-based thermal power plants in all the states other than Gujarat, Maharashtra and Bihar accounted for about 10 per cent of the furnace oil consumed in power generation. When an estimate of furnace oil for auxiliary consumption in thermal plants in these three states is included, the total comes to around 0.18 million tons (15 per cent). The rest of furnace oil consumption in power generation (about 1.1 million tons) can be easily substituted by coal by using existing dual-fire system of some plants and by converting others to multi-firing system.

As already pointed out, fertiliser was the crucial industry where fuel oil should have been used as feedstock. Instead, it was mainly used as boiler fuel in place of coal for steam generation. The estimates are that in 1972-73 about 206,000 tons of fuel oil was thus burnt for steam generation (Table 5). Estimates for future show that around 600,000 tons of additional furnace oil would be used as fuel for steam generation in the fertiliser plants which are under construction. The entire fuel oil so misused as source of energy could be substituted by coal which is domestically available.

Further, about 47 per cent of the total fuel oils consumed in 1971 was used as furnace fuel in various other industries. In most of these industries, furnace oil is used for steam raising in place of coal. Use of furnace oil is not technologically necessary in most industries except in ceramics and glass, aluminium and some chemicals. In many units of major industries such as cotton textiles, iron and steel, cement, inorganic heavy chemicals and non-ferrous metals use of furnace oil is hardly justifiable on technological considerations (Table 6).[9]

III

Future Investment Pattern: Available Alternatives

Thus, the method of estimating total refining capacity in the sixties did not take into consideration the various options with regard to foreign trade, refinery process choices, fertiliser feedstock choices and the use of alternative fuels in many industries. This has led to distortions in choices at various levels delaying the development of technology which can take into account the resource-base and the demand pattern of the economy. As a consequence, many sectors/industries have come to use oil products where alternative domestic sources of energy should have been used. Today, the country has to depend on oil imports requiring recurring outflow of scarce foreign exchange.

It seems that the same method of planning investments in petroleum industry continues to be used for the seventies. A crude throughput of 36 million tons in 1978-79 is estimated to meet the projected requirements of petroleum products in that year. Plans for expansion of Koyali refinery from the present capacity of 4.3 million tons to 7.3 million tons have been finalised. Construction work on the 6 million ton refinery at Mathura has begun. Discussions on expanding the Madras refinery from 2.8 million tons to 3.3 million tons have been reported. With these expansions and construction of new capacity, the total refining capacity (including the spare capacity in three private sector refineries) would increase to around 39 million tons by 1978 or 1979.

A total crude throughput of 36 million tons as envisaged in the draft Fifth Plan, without the use of secondary processing, would yield the following quantities of oil products: 5.46 million tons of light distillates, 16.26 million tons of middle distillates and 13.7 millions tons of heavy-ends.[10] As compared to 1972, this would mean an additional availability of 2.29 million tons of light distillates, 6.86 million tons of middle distillates and 6.86 million tons of heavy-ends (heavystock or fuel oil). The product availability and foreign exchange outflow under the assumption of 36 million tons of refining capacity are presented as Alternative I in Table 7. The total foreign exchange outflow on account of crude imports at an average price of 10 dollars per barrel (FOB Persian Gulf) would be of the order of Rs 1,440 crores.

TABLE 3 : CONSUMPTION OF FUEL OILS, 1971

Industrial Consumption			Other Uses		
Industry	Consumption (000 tonnes)	Per Cent of Total Consumption	Specific Use	Consumption (000 tonnes)	Per Cent of Total Consumption
(1) Power generation	1,289.0	25.9	(11) Coastal shipping	245.0	3.10
(2) Textile	524.0	10.5	(12) International bankers	204.0	2.59
(3) Chemicals and allied industries	495.0	9.9	(13) Agriculture and plantations	199.0	2.50
(4) Iron and steel	415.0	8.3	(14) Mining and quarrying	52.0	0.65
(5) Engineering	248.0	5.0	(15) Road transport	13.0	0.14
(6) Ceramics and glass	202.0	4.1	(16) Railways	57.0	0.72
(7) Cement	148.0	3.0	(17) Others	579.0	8.16
(8) Fertilisers	143.0	2.9			
(9) Aluminium	120.0	2.4			
(10) Sugar	41.0	0.8			
Sub-total	3,625.0	72.8	(18) Total	4,974.0	100.0

Notes : (1) Consumption of Refinery Boiler Fuel in 1971 was 1.15 million tons.
(2) About 0.98 million tons of heavy-ends were imported in 1971; the imports of fuel oil in 1972 was 1.8 million tons.
(3) About 1.21 million tons of residue was used as Low Sulphur Heavy Stock (LSHS) and Hot Heavy Stock (HHS) in Oil-fired power plants.
(4) Gujarat and Maharashtra accounted for about 60 per cent of the total consumption of fuel oils (Furnace Oil+LSHS+HHS).

Source : "Indian Petroleum and Chemical Statistics", 1972, Ministry of Petroleum and Chemicals.

An alternative to the above for the year 1978 would be to use only the existing refining capacity of 28.4 million tons[11] (i e, not to increase the refining capacity by 7.6 million tons) and install 4 million tons of hydrocracking capacity. This alternative is presented as Alternative II in Table 7. The availability of kerosene and diesels is the same as in Alternative I. However, the production of light distillates is lower by 0.95 million tons and the production of heavy-ends (fuel oils) is lower by 7.2 million tons. The total outflow of crude oil imports in Alternative II would be considerably lower, Rs 984 crores as compared to Rs 1,440 crores in Alternative I. Thus, the import bill of crude imports can be reduced by Rs 456 crores per annum if the consumption of naphtha and petrol together is kept at 4.51 million tons and the consumption of heavy-ends is restricted to 6.50 million tons.

A comparison of these two alternatives[12] suggests that although there is substantial difference in foreign exchange outflows, the main difference in the availability of oil products is in the case of heavy-ends only. The question is should the direct demand for fuel oil to be burnt in place of coal become the main determinant of total requirement of crude throughput and crude oil imports? The second alternative, unlike the first, brings out the significance of the use of residual heavystock as feed for secondary processes as against its current use as furnace fuel and fertiliser feedstock. The comparison indicates that the import bill on crude oil can be reduced considerably (Rs 456 crores per annum) if residual heavystock is not treated as a surplus by-product which has to be burnt in place of coal.

In Alternative II, the total availability of light distillates in 1978 is about 4.51 million tons. Actual consumption of naphtha for fertiliser plants in 1972 was 0.95 million tons. Estimated consumption of naphtha for petrochemical units in 1972 was around 0.3 million tons. The requirements of naphtha in 1978 would depend on the number of new units which are commissioned and the capacity utilisation of these units.

TABLE 4: CONSUMPTION OF COAL AND FURNACE OIL IN THERMAL ELECTRICITY GENERATION: 1971-72

States	Thermal Electricity Generation (Mn Kwh)	Consumption of Coal (000 Tons)	Consumption of Furnace Oil (000 Tons)
(1) Andhra Pradesh	1,020	1,250	7.47
(2) Bihar	1,525	800	109.24
(3) Gujarat	3,308	578	643 32
(4) Maharashtra	4,701	2,009	443.51
(5) Haryana	38	31	—
(6) J and K	23	15	2.80
(7) Madhya Pradesh	2,826	2,021	13.07
(8) Orissa	516	368	—
(9) Punjab	19	20	—
(10) Rajasthan	16	27	—
(11) Tamil Nadu	3,055	3,436	25.21
(12) UP	3,887	3,046	16.81
(13) West Bengal, including DVC	8,035	4,785	38.28
(14) Delhi	1,461	806	19.61
All-India	31,237	19,210	1,322.20

Notes: (1) Consumption in kilolitres has been converted to metric tons by using a conversion factor of 0.9337 tons per kilolitre (KL).
(2) Consumption of furnace oil is mainly for those power plants which use furnace oil as boiler fuel, i e, Ahmedabad and Dhuvaran in Gujarat, Trombay in Maharashtra and Barauni thermal plant in Bihar.
(3) The figures of total consumption of furnace oil in thermal power generation in Tables 3 and 4 are different due to difference in the reckoning of the years.

Source: Public Electricity Supply All India, Stat 71-72 CWPC, Ministry of I and P, Fuel Consumption, table 32, page 75.

The consumption of naphtha for the eleven projects already in operation has been estimated at 1.1 million tons in 1978.[13] The estimates of consumption of the eleven new firm projects are of the order of 1.4 million tons. Some of these projects may not go on stream by 1978 while in the case of others the requirement of naphtha would depend on the level of capacity utilisation. It is assumed that the consumption of naphtha in 1978 in the new units would be of the order of 1.0 million tons. This indicates that in 1978 the total requirements of naphtha for fertiliser plants would be of the order of 2.1 million tons.[14] The requirements of naphtha for petrochemicals is estimated at 0.9 million tons.[15] Thus, out of a total of 4.51 million tons of light distillates, 3.0 million tons of naphtha is required for fertiliser and petrochemical plants. The remaining 1.5 million tons can be used as petrol or motor gasoline. Thus, the availability of petrol in 1978 would be 25 per cent higher than its estimated post-price-hike consumption in 1974. This suggests that there is sufficient margin in petrol availability to take care of the unexpected increase in naphtha demand.

The residual heavystock obtained from crude oil in the first round of refining can be used as fuel oils or as feedstock for fertilisers; as feed for bitumen, lube oils and petroleum coke. Consumption of fuel oils (including LSHS and HHS) has increased from 1.9 million tons in 1961 to 5.5 million tons in 1972. About 70 per cent of total fuel oils are used in industries (Table 3) where other indigenous sources of energy (coal or coal gas) could be used. If higher quantities of residual heavystock is made available, it would again be used as furnace fuel in industries where its use is not technically necessary. To avoid this, the consumption of fuel oil should be strictly curbed through a steep increase in its price as well as by subjecting the fuel oil requirements of large users to a strict scrutiny.

Table 8 presents a comparison of various uses of residual heavystock in 1971 and 1978. The suggested consumption of 6.5 million tons in 1978 is equal to the production of residual heavystock in 1971 and is slightly lower than the actual consumption of 7.86 million tons in 1971. However, the suggested pattern of use of residual heavystock (heavy-ends) meets all the increased indispensable and priority needs of the economy. It provides 0.44 million tons of furnace oil to be used as auxiliary fuel for generation 74,000 million kwh (out of the total of 130,000 million kwh) in thermal plants in 1978.[16] This would require that about 1.1 million tons of fuel oil currently used as boiler fuel in four power plants be substituted by coal.

Consumption of bitumen was around 0.50 million tons per annum during 1964-68 and around 0.65 million tons in 1968-69. Consumption in 1971 was unduly high, about 26 per cent higher than the consumption in 1970. Demand in 1972 was also very high, about 21 per cent higher than in 1971. It is assumed that bitumen demand can be kept low, around 1.0 million tons in 1978. Production of lube oils in 1972 was 0.30 million tons while the consumption was 0.56 million tons. By establishing facilities for re-refining of lubes, the consumption of lube oils can be reduced significantly. Since some of the special lube oils will have to be imported, 0.5 million tons are provided for lube oils while it is assumed that the production of petroleum coke would increase from 0.15 million tons in 1971 to 0.20 million tons in 1978. The demand for fuel oils in coastal shipping, agriculture and plantations and railways would also be met.

In 1972, about 200,000 tons of fuel oils was used as raw material for steam generation in fertiliser plants. This could be easily substituted by coal as boiler fuel. However, the suggested utilisation of residual heavystock in 1978 provides 1.0 million tons of fuel oil as feedstock for fertiliser plants.[17]

Consumption of fuel oils in other industries in 1971 was around 3.0 million tons. As discussed earlier, in most of these industries, use of furnace oil is not technically necessary. A changeover from furnace oil to coal would require some investments as well as timely availability of coal. For ceramics and glass industry, about 200,000 tons of furnace oil is provided in the suggested utilisation of residual heavystock. In addition, about 600,000 tons of fuel oil would be available for industrial units where fuel oil cannot be substituted by coal on certain considerations. Besides, it is assumed that marginal quantities of fuel oil can always be imported to meet the demand from units where the resource cost of substituting coal or coal gas is higher than the 'economic cost' of importing fuel oil.

Thus, it can be seen that a refining capacity (crude throughput) of 28.4 million tons along with a hydrocracking capacity of 4 million tons can meet all the non-substitutable demands for oil products. This combination (Alternative II) would provide 4.51 million tons of naphtha and petrol, about 7.26 million tons of kerosene and jet fuel and about 9.0 million tons of diesels. It would also meet all the priority needs of bitumen, lube oils, petroleum coke; furnace oil

for power generation; fuel oil to be used as fertiliser feedstock; furnace oil for coastal shipping, agriculture, railways and ceramics and glass industry. This means that import of crude oil can be reduced by about 7.6 million tons if (a) coal is substituted for about 1.1 million tons of fuel oil in power plants and for about 2.4 million tons of fuel oil in various industrial units; (b) coal is used as boiler fuel in all the new industrial units except in those where the demand has to be met through imports.

IV

Investment Costs in the Two Alternatives

The reduction in imports of crude oil has the following implications:

(a) the new refining capacity to be added at Koyali and Mathura is not required for the year 1978. Instead, four hydrocracking units one each at Bombay, Koyali, Cochin and Barauni should be considered;

(b) the pipeline to transport imported crude oil from Salaya to Mathura is not required. Instead, a pipeline to transport products from Koyali to North-West region could be considered;

(c) some initial investments would be required for changeover from oil to coal in power plants and industrial units; and,

(d) certain investments for additional production and efficient transportation of coal would be required.

Table 9 presents approximate investment costs in the two alternative patterns of crude processing, estimated on the basis of demand in 1978. We shall have to content ourselves with these approximations because, given the information, the exact investment costs of certain components, chiefly that of transport, cannot be worked out at this stage. In Alternative I, for processing 36 million tons of crude oil, about 9 million tons of additional capacity is being planned at Koyali and Mathura. The investment costs of expansion of Koyali refinery by 3.0 million tons have been estimated as Rs 27 crores in the draft Fifth Plan. The estimated capital costs of Mathura refinery (6 million tons per annum) are Rs 93 crores. Unit investment costs in Mathura are higher on account of costs of offsite facilities as well as because of additional costs of secondary process unit envisaged for the refinery. Since the type and scale of this secondary process unit is not yet known, it is difficult to estimate the exact capital costs of Mathura refinery without the secondary process unit. However, the combined capital costs of Koyali (expansion) and Mathura would lie between Rs 81 crores and Rs 120 crores. We may assume a total capital cost of Rs 90 crores for this purpose.[18]

If hydrocracking units are to be added to the existing process units in four refineries, the investment costs would include the costs of hydrocracker as well as the costs of vacuum distillation and hydrogen plants of appropriate capacities.[19] The capital costs of one million tons of hydrocracking capacity are about 2.5 to 3 times the capital costs of a simple refinery of one million tons.[20] Assuming that the latter is Rs 10 crores, the former would be of the order of Rs 30 crores. This estimate would imply Rs 120 crores as the approximate investment costs of installing four hydrocracking units of one million tons each at four different locations.

With a lower refining capacity of 28.4 million tons, the proposed pipeline to carry 6 million tons of crude oil from Salaya to Mathura (1,344 kms) is not required. This implies that an estimated expenditure of Rs 120 crores in Alternative I would not be incurred under Alternative II. However, the latter may require a product pipeline to move around 3 million tons of products from Koyali to North-West region. Approximate capital costs of a 3.0 million ton product pipeline from Koyali to Mathura (1,062 kms) would be of the order of Rs 55 crores. Besides the change in the investments in pipelines, the two alternatives of crude processing would differ in the rail movement of petroleum products.[21] It is difficult to quantify the investment implications of the pattern of rail movement of petroleum products under different alternatives since this would involve detailed information about the overall railway movement projected for 1978. To the extent that the quantum of products to be moved is lower in Alternative II, the rolling stock requirements would be lower. On the other hand, if the products are to be carried over longer distances its requirements would be higher. Therefore, it is assumed that the differences between the two alternatives in regard to investment requirements for rail transportation of oil products would be negligible.

The substitution of coal for fuel oil used in power generation and other

TABLE 5: CONSUMPTION OF NAPHTHA AND FUEL OIL IN FERTILISER INDUSTRY

(000 tons)

Name of the Unit	Consumption of Naphtha as Feedstock in 1972	Consumption of Fuel Oil as Raw Material for Steam Generation in 1972-73
(1) Sindri	16.6	—
(2) Trombay	75.5	26.4
(3) Gorakhpur	68.5	0.0
(4) Rourkela	36.2	0.0
(5) FACT, Alwaye	50.4	26.5
(6) Madras	168.0	56.0
(7) Ennore	14.8	0.0
(8) Vizag	78.1	32.7
(9) Gujarat State Fertiliser Corporation	106.5	15.0
(10) Kota (DCM)	120.5	—
(11) Kanpur (ICI)	183.3	24.3
(12) Durgapur	9.5	
(13) Cochin	6.0	
(14) Goa	20.7	11.9
(15) EID-Parry	—	12.5
Total	954.6	205.3

Notes: (1) In 1972-73, there was no fertiliser unit which used fuel oil as feedstock: New units are proposed which will require 760,000 tons of fuel oil as feedstock.
(2) Fuel oil requirements as raw material for steam generation have been estimated as 600,000 tons by 1978.

Source: "Indian Petroleum and Chemicals Statistics", 1972; Ministry of Petroleum and Chemicals, New Delhi, pp 142-143 and 119.

units would also require some investments. In the case of four power plants which use fuel oil as primary fuel, substitution of coal would require marginal investments. Ahmedabad and Barauni power stations can change over to coal immediately without any investments. About two-thirds of the total capacity of Trombay power plant can be converted to coal firing without additional investment. Similarly, in the case of Dhuvaran power station, more than half of the total capacity can be converted to coal-firing with marginal investments. Thus, the estimated capital costs of changeover from oil to coal in power plants may be of the order of Rs 10-15 crores.

Use of coal for furnace oil in other industrial units such as textiles, cement, chemicals, aluminium, sugar and engineering, etc, would require conversion of equipment in some of them while many others would have only to restore themselves to an earlier practice. In the case of the former, an idea of the likely

TABLE 6 : SHARES OF VARIOUS STATES IN GROSS VALUE OF OUTPUT AND CONSUMPTION OF FURNACE OIL (IN SELECTED INDUSTRIES : 1965)

	States	Cotton Textiles		Iron and Steel		Cement		Inorganic Heavy Chemicals		Non-Ferrous Basic Metal Industries		All Industries
		Per Cent of All-India Output	Per Cent of All-India Fuel Oil Consumed	Per Cent of All-India Output	Per Cent of All-India Fuel Oil Consumed	Per Cent of All-India Output	Per Cent of All-India Fuel Oil Consumed	Per Cent of All-India Output	Per Cent of All-India Fuel Oil Consumed	Per Cent of All-India Output	Per Cent of All-India Fuel Oil Consumed	Per Cent of All-India Consumption of Fuel Oil (1971)
(1)	Maharashtra	31	73	4	12	*	*	16	16	25	18	34
(2)	Gujarat	24	9	1	2	14	44	33	55	*	*	23
(3)	Bihar	6	—	26	43	15	*	2	*	9	17	7
(4)	Madras (TN)	15	12	2	4	17	52	14	18	5	16	9
(5)	Madhya Pradesh	3	*	14	6	13	2	1	*	*	*	1
(6)	Orissa	1	—	15	1	—	—	—	—	—	—	1
(7)	W Bengal	5	*	31	18	—	—	11	1	38	21	6
(8)	Mysore (Karnataka)	4	5	—	—	8	*			*	*	3
(9)	UP	7	*	1	2	—	—	7	2			4
(10)	Rajasthan	2	*	—	—	—	—	—	—	3	2	1
(11)	Andhra Pradesh	*	*	*	1	11	*	—	—	*	*	2
(12)	Kerala	*	*	*	1	—	—	8	9	*	*	4
(13)	Punjab	*	*	2	4	—	—	—	—	—	—	*
(14)	Delhi	—	—	1	1	—	—	—	—	—	—	1
(15)	Others	—	—	3	5	—	—	8	2	20	26	1
(16)	All India	100 (884.72)	100 (309.08)	100 (436.87)	100 (134.34)	100 (104.27)	100 (247.63)	100 (52.39)	100 (102.37)	100 (114.47)	100 (65.06)	100.0 (4,530.0)

Notes : (1) Figures in brackets are gross value of output in Rs crores and Furnace Oil consumed in thousand tons.
(2) * indicates that the percentage is less than 1.

Source : Various Volumes of Annual Survey of Industries, CSO, Calcutta, 1965 and "Indian Petroleum and Chemical Statistics", 1972.

investment costs can be obtained by comparing the capital costs of installing steam generation plants based on fuel oil and coal. It has been estimated that the capital cost of a steam generation plant with an installed capacity of three (2 + 1) boilers (of 40 ton/hr of steam at 65 kg/cm²g) using 45,000 tons/year of fuel oil are around Rs 2 crores. The capital costs of the coal-based plant (using 90,000 tons of coal per annum) are of the order of Rs 3 crores. Thus, if the entire consumption of about 2.4 million tons of furnace oil currently used in these industrial units is substituted by coal the capital costs of the changeover would be around Rs 53 crores. Since all the units would not require this conversion and the investments in some cases may be marginal the sum of the capital costs of conversion from oil to coal in power plants and industrial units have been placed at Rs 60 crores.

Substitution of coal for oil in power plants and industrial units would require that additional quantities of coal are produced and transported to consuming regions. Estimation of the investment costs of coal production and transportation would require the identification of the coal mines from which additional quantities of coal could be supplied, and a knowledge of the regional pattern of consumption of fuel oils. The total consumption of fuel oils in 1971 in Maharashtra and Gujarat was about 2.5 million tons. Tamil Nadu, Bihar, UP and West Bengal accounted for another 1.2 million tons. All the other states together used only around 0.7 million tons. The coal requirements of most of the industrial units and power plants in the Western region (Maharashtra and Gujarat) would have to be met from the Central Indian coalfields of Kamptee, Umrer, Korba, Chirimiri, Korea Rewa, Pench and Karhar and Bisrampur. The requirements of Tamil Nadu could be met from the Singareni coalfields. Coal requirements in Western and Southern regions could also be met from the Bengal-Bihar coalfields if coastal shipping is used.[22]

The investment costs in coal mining depend crucially on the type of mine (open cast, underground or deep underground), the extent of mechanisation of the mine and the nature of coal deposits (nature and ratio of overburden, gaseousness, etc). The capital costs would depend on the proportion of additional output which is expected to come from open cast, underground or deep underground mines. An average estimate of investment cost of additional production of coal in India has been placed at Rs 50 per tonne.[23] Assuming as an average, the investment costs of additional coal production at Rs 70 per tonne the total capital costs of producing 7.0 million tons (to replace 3.5 million tons[24] of fuel oil) would be of the order of Rs 50 crores. Alternative I provides for additional 3.5 million tons of fuel oil for meeting the requirements of new industrial units.[25] If this is also substituted by coal, the total capital costs on coal production of 14 million tons to replace 7.0 million tons of fuel oil in 1978 would be of the order of Rs 100 crores.

The investment costs on transportation of coal would include the costs of additional rolling stock (locos and wagons) and the capital costs of new line capacity wherever required. The requirements of locos and wagons would depend on the quantity of coal to be moved and the distances over which it is to be carried. The actual distance over which coal would have to be moved will mainly depend on the regional distribution of demand in Maharashtra, Gujarat and Tamil Nadu. In the absence of detailed information of this type, an average distance of 900 kilometres is assumed for these three states since the major centres (Ahmedabad, Bombay and Madras) are about 750 kms to 1,000 kms away from the nearest coal field. About 500 wagons (box type) would be able to transport 1.0 million tons of coal per year over a distance of 900 kms. Movements of 7 million tons of coal would require around 3,500 wagons.[26] If the cost of one wagon (box type) is taken at Rs 0.60 lakhs,[27] the total cost of 3,500 wagons would be of the order of Rs 21 crores. The cost of 70 locomotives at the rate of Rs 25 lakhs per loco would be around Rs 18 crores. Thus, the total rolling stock for moving 7 million tons of coal would cost around Rs 39 crores.[28]

It is difficult to make an estimate of the capital costs of additional railway line capacity that may be required to move additional traffic. The capital cost of the new line would depend on the number of sections where doubling of track capacity will become necessary on account of increased movement of coal. This would require projections of traffic on major sections in the region and identification of those routes where line capacity will become a bottleneck. In the absence of such a detailed study on the projected levels of utilisation of line capacity in Maharashtra-Gujarat-Tamil Nadu region, it is not possible to make any judgment on the likely capital costs of additional line capacity for moving 7.0 million tons. However, to get an idea of the order of magnitudes involved, the capital costs under different assumptions can be estimated. The costs of doubling of railway track on broad gauge estimated for 1973-74 varied between Rs 6.2 lakhs per kilometre to Rs 8.8 lakhs per kilometre. The average cost of adding new line capacity can be taken as Rs 9 lakhs per kilometre. If the additional movement of coal requires doubling of 100 kilometres of track in various sections, the total cost would be of the order of Rs 9 crores. If new railway line is required for a distance of 900 kilometres of the trunk routes, the total capital cost may be of the order of Rs 81 crores. Thus, the likely investment required for additional transportation of 7 million tons of coal to Western and Southern region would be of the order of Rs 120 (39 + 81) crores.[29] It would be about Rs 112 crores if coastal shipping is used for this purpose in place of railways.[30] The investment requirements of transporting another 7 million tons of coal would depend on the pattern of location of the new industrial units. Since this is not known, it is assumed that the capital costs of transporting coal or fuel oil to these units would be equal.

Table 9 presents a comparison of the above mentioned investment costs in the two alternative patterns. It may be seen that investment costs under Alternative II are higher by Rs 245 crores. However, the bill for crude imports is lower by Rs 456 crores per annum.

A simpler comparison of relative costs of using fuel oil and coal in furnaces can be made in terms of their relative prices. The costs of 3.5 million tons of fuel oil (at the current price of $ 60 per ton) would be $ 210 million. At the shadow price of Rs 10 for a dollar the cost would work out at Rs 210 crores. Approximately 7 million tons of coal would replace 3.5 million tons of fuel oil as discussed above. At an assumed delivered price of Rs 150 per ton (current price being about Rs 100 per ton) the cost of coal would be Rs 105 crores. Thus, by replacing 7 million tons of fuel oil consumption (in 1978) assumed in Alternative I by 14 million tons of coal in Alternative II a direct saving in terms of relative prices alone would be of the order of Rs 210 crores on the most conservative estimates. It is thus clear that even if the delivered price of coal were to be doubled (*i e*, Rs 300 per ton) it would still be economic to substitute fuel oil by coal.

TABLE 7 : ALTERNATIVE MODES OF CRUDE PROCESSING

(million tons)

		Alternative I	Alternative II
(A)	Mode of Processing		
	Refining capacity	36.0	28.4
	Hydrocracking capacity	0.0	4.0
(B)	Product Availability		
	Light distillates (petrol, naphtha)	5.46	4.51
	Middle distillates (kerosene, diesels)	16.26	16.26
	Heavy-ends (residual heavystock)	13.70	6.50
	Total products	35.42	27.27
(C)	Crude Requirements		
	Total crude throughput	36.00	28.40
	Total indigenous production	12.00	12.00
	Total crude imports	24.00	16.40
(D)	Foreign Exchange Outflow on Crude Imports (Rs crores per year)	1,440	984

Notes : (1) Based on the product demands for 1978.
(2) It can be seen that Alternative I broadly corresponds to the pattern of refining capacity envisaged in the Draft Fifth Five-Year Plan. Alternative II is the combination suggested here which minimises crude imports.
(3) The availability of different oil products has been estimated by the following method : In 1972, the yield of different oil products by processing 19.67 million tons of crude oil was 3.17 million tons of light distillates, 9.4 million tons middle distillates and 6.84 million tons of heavy-ends. In Alternative I, 16.33 million tons of additional crude oil (34°API), without secondary processing, will yield 2.29 million tons of light distillates, 6.86 million tons of middle distillates and 6.86 million tons of heavy-ends. The availability of these products from additional crude throughput of 8.71 million tons in (Alternative II) would be 1.22 million tons of light distillates, 3.66 million tons of middle distillates and 3.66 million tons of heavy-ends. Hydrocracking capacity of 4.0 million tons reduces the availability of heavy-ends by 4.0 million tons but adds 3.2 million tons (80 per cent of feed) to the availability of middle distillates and 0.12 million tons of light distillates.
(4) Net availability of light distillates would be higher by 500,000 tons if naphtha is not used for manufacturing hydrogen required for hydrocracking. The higher requirements of refinery boiler fuel for hydrocracking units are allowed for in the utilisation of residual heavystock.

V

Implications of Suggested Alternative

Thus, by installing about 4 million tons of new hydrocracking capacity and incurring an extra (once-for-all) expenditure of about Rs 245 crores, the country can save about Rs 456 crores in foreign exchange per annum. The availability of kerosene, jet fuel and diesels is 16.26 million tons, the same as in Alternative I. The availability of fuel oil to be used as furnace fuel is substantially lower in this case. This alternative pattern of crude processing implies optimum utilisation of crude oil by retrieving the maximum of essential products (kerosene and diesels) from a minimal quantum of crude oil. This is achieved by putting the residual heavystock (obtained in the first round of refining crude oil) to its optimum use as feed for secondary processing units such as hydrocrackers. This use of residual heavystock (fuel oil) is decidedly more advantageous than even its use as feed-

TABLE 8 : UTILISATION OF RESIDUAL HEAVYSTOCK (HEAVY-ENDS) IN INDIA

(million tons)

	Use of Heavystock	Actual Consumption in 1971	Suggested Consumption in 1978
(A)	As Feed		
	(1) Fertiliser feedstock	0.00	1.00
	(2) Bitumen	0.95	1.00
	(3) Lube oils and wax	0.56	0.50
	(4) Petroleum coke	0.15	0.20
(B)	As Furnace Oil		
	(5a) Power generation (as auxiliary fuel)	0.18	0.44
	(5b) Power generation (as boiler fuel)	1.12	0.00
	(6) Coastal shipping	0.25	0.30
	(7) Agriculture and plantations	0.20	0.20
	(8) Railways, roadways and mining	0.10	0.10
	(9) Ceramics and glass	0.20	0.20
	(10) Other industries	3.00	0.60
	(11) Refinery boilers fuel	1.15	1.96
	(12) Total	7.86	6.50

Notes : (1) Bitumen, lube oils, petroleum coke and wax require residual heavystock as feed in the special process plants such as bitumen blowing units, lube processing units and coking and coke calcination units.

(2) Requirements of international bunkers are not included since the earnings from sales can be used for importing the required quantities of fuel oil. In any case, the international bunkers account for only 2.5 per cent of the total consumption of heavy-ends.

(3) Availability of refinery boiler fuel will increase from 1.15 million tons to 1.96 million tons. After allowing for 1.7 million tons as boiler fuel at 6 per cent of crude throughput it would provide about 0.26 million tons as additional fuel oil for hydrocracking units. With improvement in boiler efficiency and use of other substitutes, consumption of refinery boiler fuel may, in fact, be lower than estimated here.

stock in fertiliser plants,[31] to say nothing of its colossal misuse as furnace fuel. Being abundantly supplied with coal, our country would find optimum use of coal both as fertiliser feedstock and furnace fuel in place of naphtha and fuel oil. By wrong manipulation of the relative prices for natural gas, naphtha, fuel oil and coal these inputs have been all along used for low priority purposes. The result is that the country has become dependent on oil imports requiring recurring outflow of scarce foreign exchange.

The introduction of correctives is urgently required and the earlier it is done the better. It would be difficult to correct the situation later when wrong practices have been extended into wider industrial fabric. The present oil and foreign exchange crisis has provided compelling reasons enough to take these corrective measures now. This implies establishment of secondary processing facilities in some refineries, of adequate capacity and not merely a token gesture.

Among the various techniques of reconversion of residual heavystock, hydrocracking would be most suitable[32] because it yields the maximum middle-distillates (kerosene and diesels) and brings about maximum reduction in crude throughput notwithstanding its lower capacity utilisation initially. If an adequate hydrocracking capacity[33] is not established to undertake reconversion of residual heavystock even at this stage, the available heavystock would continue to be misused as furnace fuel in industries where alternative domestic fuels can be used. This has indeed been happening all these years, and nothing would be more disastrous than its continuation over the coming years.

The crude imports in Alternative II can be further reduced if demand for kerosene and diesels is reduced by providing alternative fuels in domestic sector, irrigation and railways. Coal can be directly substituted (as soft coke) for kerosene in domestic cooking. It can be converted into coal gas or solid smokeless fuel through gasification or carbonisation to be used in place of kerosene and furnace oil. Indirect substitution of coal for light diesel oil in irrigation can be achieved by electrification of regions where diesel pumps are used. Similarly, electrification of railways would substitute for dieselisation on sections where traffic density is high. Direct conversion of coal into oil products (petrol or diesels) is also possible either through hydrogenation of coal and tar or by gasification of coal or by the Fischer-Tropsch method. However, in these sectors use of alternative sources of energy would be subject to the considerations of the 'resource costs' of this substitution. The 'resource costs' of substitution of coal for oil would vary from region to region depending upon the costs of coal production and transportation; the costs of electricity generation, transmission and distribution; the costs of gasification, carbonisation or hydrogenation; and, the costs of utilisation of the alternative fuel (e.g. costs of piping coal gas, costs of distribution of electricity for irrigation and transport, etc). In some sectors and in some regions, the 'economic costs' of substitution may be lower than the 'shadow price' of the relevant oil product duly corrected for the premium on foreign exchange. This type of selective substitution may reduce the demand for naphtha, kerosene, diesel as well as furnace oil. The extent of substitution in each product would depend on a number of economic and technological factors. In the absence of such a detailed study on 'economic costs' of substitution of coal for oil, it is not possible to indicate the optimum pattern of crude processing. However, with lower demand for oil products, the level of refining and hydrocracking capacities would be lower than those considered in the two alternatives above.

VI

Conclusions

To conclude, this paper is an attempt to present the following points in connection with the oil policy of the country:

(1) The present method of planning investments in petroleum and petrochemical industries is not based on detailed evaluation of economic and technological options available to the country. The method employed for estimating total refining capacity rules out considerations of foreign trade options, refinery process choices, fertiliser feedstock choices and use of alternative fuels in many industries. In the sixties, the requirements of refining capacity in India were overestimated resulting in surpluses of naphtha and fuel oil in the country. These temporary surpluses led to distortions in choices at various levels delaying the development of technology which can take into account the resource-base and the demand pattern of the economy. As a consequence there has occurred a continuous dependence of the country on oil imports requiring recurring outflow of scarce foreign exchange.

(2) Application of comprehensive investment planning techniques indicates that an adequate refining capacity in India in 1978 could be as low as 28.4 million tons as compared with the present estimate of 36.0 million tons. The former magnitude of crude throughput along with a hydrocracking capacity of 4.0 million tons would be sufficient to meet fully the demands of naphtha, kerosenes, jet fuel and diesels as well as all the priority demands for petrol and heavy-ends. Thus, the alternative implies a reduction of 7.6 million tons in crude oil imports reducing the import bill by Rs 456 crores ($ 570 million) per annum.

(3) In view of the above the new refining capacity proposed at Koyali and Mathura in the draft Fifth Plan is not required for the year 1978-79. Instead, four hydrocracking units one each at Bombay, Koyali, Cochin and Barauni should be installed. The establishment of requisite hydrocracking capacity can be undertaken without much delay at the existing refinery locations.

(4) Under the proposed alternative the pipeline to transport imported crude oil from Salaya to Mathura (and Koyali) is not required in 1978-79. Instead, a pipeline to transport oil products from Koyali to North-West region should be considered.

(5) There should be a sharp increase in the price of fuel oil with a view to curbing its consumption for low priority uses. The price should be raised so as to reflect its opportunity cost to the economy. For the consumer, its price should be higher than the import cost of fuel oil duly corrected for the shadow price of foreign exchange. In addition, there should be a very strict scrutiny of fuel oil requirements of large industrial units. For the producer, on the other hand, there should be a marked reduction in the sale price of fuel oil for its use as furnace oil so as to ensure its maximum conversion into petrol, kerosene and diesels.

(6) The current practice of using fuel oil as furnace oil should be stopped; instead, coal should be used as furnace fuel. The investment requirements of changeover from oil to coal in some power plants and industrial units may be subsidised, if necessary. This process of conversion of oil-fired equipment to dual-firing equipment could be undertaken without much time delay.

(7) The investments required for additional coal production should be made and the targets of output revised accordingly. This would also require that additional output in the coalfields in Central India (Korba, Kamptee, Chanda, Pench and Singareni) is accorded priority in terms of allocation of financial and managerial resources.

(8) Provisions for the new pattern of transporting coal from mines to new demand points should be made. This may require doubling of rail lines on certain sections, increased rolling stock as well as substantial improvement in loading and unloading facilities. It may also require purchase of ships for coastal shipping. There is need to finalise the installation of coal dumps at major demand centres to ensure timely availability of coal.

The need for the alternative pattern of crude processing which substantially reduces import costs has become acute with the steep hike in oil prices. The policy decisions suggested above would have to be taken now or we would be unable to arrest the increasing burden of oil imports and thereby paralyse the entire economy.

TABLE 9 : APPROXIMATE INVESTMENT COSTS IN ALTERNATIVE MODES OF CRUDE PROCESSING

(Rs crores)

Mode of Processing	Alternative I	Alternative II
Refining capacity	36.0 million tons	28.4 million tons
Hydrocracking capacity	0.0 million tons	4.0 million tons
(1) Investment costs of refinery process units	90	0
(2) Investment costs of hydrocracking units		120
(3) Capital costs of crude pipeline	120	0
(4) Capital costs of product pipeline	0	55
(5) Capital costs of conversion of industrial units from fuel oil to coal	0	60
(6) Capital costs of coal production (14 mn tons)	0	100
(7) Capital costs of coal transportation	0	120
(8) Total	210	455

Notes : (1) These investments costs are only to show the order of magnitudes involved. The actual investment costs may be somewhat different in the two Alternatives.

(2) The details of estimation of approximate investment costs are given in the text and relevant footnotes.

(3) The capital costs for crude oil pipeline are the costs for transporting 6 million tons over a distance of 1,344 kilometres (Salaya to Mathura/Koyali).

(4) The product pipeline is for 3 million tons over 1,062 kilometres (Koyali to Mathura).

Notes

1 Oil products accounted for 49 per cent of the total consumption of commercial energy (197 million tons of coal replacement, MTCR) in 1970-71. Coal accounted for 26 per cent while electricity, accounted for 25 per cent. Commercial energy itself was about half of the total energy consumed, the rest contributed by sources of non-commercial energy such as firewood, cowdung and vegetable wastes.

2 Consumption of oil products (energy products) increased at a rate of 8.6 per cent per annum during 1953-54 to 1970-71 while the rate of growth of coal consumption was 3.5 per cent per annum. In the mining and manufacturing sector, oil accounted for about 14 per cent of the commercial energy consumed in 1970-71. In the same year, oil accounted for about 80 per cent of commercial energy consumed in transport and domestic sectors. Share of oil in agriculture was about 50 per cent.

3 The consumption of refinery boiler fuel depends on the complexity of the refinery and the use of alternate source of energy. In the simplest refinery with only an atmospheric distillation unit and related process units, boiler fuel consumption would be about 4.2 per cent of the crude throughput.

4 Production of middle-distillates (by processing 19.67 million tons of crude oil) in 1972 was 9.4 million tons. If the demand for 1978 is estimated as 16.26 million tons of middle-distillates, there would be a deficit of 6.86 million tons. This deficit could be met by processing additional crude throughput of 16.33 million tons, assuming a middle-distillate yield of 42 per cent of crude charged in the case of a representative Middle-East crude oil. These would give a total crude throughput requirement of 36.0 million tons (19.67 + 16.33 million tons) in 1978.

5 Taking a crude oil import price of Rs 177 per ton ($ 3.0 per barrel f o b Persian Gulf) and the corresponding prices for naphtha, ke-

rosene and diesel, the foreign exchange outflow on account of import of naphtha, kerosene and diesel is lower than that on account of crude imports. The foreign exchange costs on import of naphtha, kerosene and diesel obtained from one tonne of crude oil is Rs 174 compared to Rs 177 required for importing one ton of crude. If only kerosene and diesel are imported at the margin, product imports would cost only Rs 145 as compared to the crude import cost of Rs 177. At higher crude price of Rs 550 per ton ($ 10 per barrel) the foreign exchange costs of import of kerosene and diesel obtained from one ton of crude oil is Rs 474 as against Rs 550 required for importing crude. Import of products is more economic when all the products, including fuel oil, have to be imported at the margin. The significance of considering product imports in estimating refining capacity was demonstrated in "Investment Planning for Petroleum Industry: Preliminary Results of an Optimising Exercise" by Ramesh K Bhatia and Shiv K Khetan in *Economic and Political Weekly*, February 27, 1971.

6 Ramesh K Bhatia: "Investment Planning for Petroleum and Petrochemical Industries: An Interregional Programming Model for India", Institute of Economic Growth, Delhi, May 1973; Mimeographed.

7 "Production and State-wise Utilisation of Natural Gas in India" in "Indian Petroleum and Chemicals Statistics", 1972, Ministry of Petroleum and Chemicals, New Delhi, p 29.

8 As a rough approximation, it may be estimated that if the entire natural gas produced in 1972 was utilised as feedstock for fertiliser plants, the total output of nitrogen would have been of the order of one million tons of nitrogen, thus reducing naphtha demand by about one million tons.

9 Although there is no information for each unit on its technically minimum requirements of furnace oil, some indirect evidence can be presented to show that in each industry the units which are located near a refinery (or port) are using furnace oil while there are many units in the same industry which are using alternative fuels such as coal. An analysis of the data of Annual Survey of Industries for 1965 shows that Maharashtra accounted for about 31 per cent of the gross value of output in cotton textile industry in 1965 and consumed as much as 73 per cent of the total consumption of fuel oil in the industry. Gujarat's share in output was 24 per cent while its share in consumption of fuel oil was only 9 per cent. In the same industry there are units in other states which together accounted for about 30 per cent of total output but consumed very little of furnace oil. In iron and steel, Bihar which accounted for 26 per cent of the gross value of output consumed about 43 per cent of the total fuel oil used in the industry. On the other hand, the three states (Madhya Pradesh, Orissa and West Bengal) which together accounted for 60 per cent of the output consumed only 25 per cent of furnace oil. In cement industry, Gujarat and Madras produced about 31 per cent of output and consumed as much as 65 per cent of total furnace oil. Also, in the case of inorganic heavy chemicals Maharashtra and Gujarat accounted for 49 per cent of output and 71 per cent of furnace oil consumption. Notwithstanding the differences in process, end-product, age of capital stock, type of equipment used and quality of raw material, it is clear that furnace oil is not technologically necessary in all the units hitherto merrily burning fuel oil in furnaces.

10 It is mentioned in the draft Fifth Plan that secondary processing facilities have been included for the Mathura refinery. However, the details regarding the type and scale of secondary processing have not been provided.

11 The capacities of different locations are: (in million tons) Bombay (including latent capacity) 9.0, Vizag 2.0, Koyali 4.3, Barauni 2.4, Haldia 2.5, Cochin 3.3, Madras 2.6, Digboi 0.5, Gauhati 0.8, and Bongaigaon 1.0.

12 It is possible to think of innumerable other alternatives of meeting different levels of patterns of demand for oil products. For example, a crude throughput of 28.4 million tons along with an import of 3.2 million tons of middle-distillates (kerosene and diesels) can meet the demand for light distillates and middle-distillates as in Alternative II and provide additional 4.0 million tons of heavy-ends. Yet another alternative would be to process 36.0 million tons of crude oil, instal about 7.0 million tons of hydrocracking capacity and export about 5.6 million tons of middle-distillates. The foreign exchange outflows and capital costs in each of these alternatives would be different depending upon the assumptions regarding relative prices of importing crude oil and products; relative prices (earnings) of exporting different oil products; foreign exchange components in investment refinery process, etc. In addition, the location aspects of capacity expansions would require considerations of transport costs of crude oil and oil products by different modes, economies of scale in various process units and the regional pattern of demand for oil products. Moreover, there is significant interdependence between investment and operating decisions of petroleum and petrochemical (including fertiliser) industries. A decision regarding the location and choice of raw material for a fertiliser plant can significantly affect the choice of process and size of units in refining industry. At the same time, the location and feedstock choices in these consuming industries are themselves dependent on the decisions in petroleum industry through the efficiency prices of these oil products. Thus, various options with regard to foreign trade, size and location of refinery processes and feedstock mix in petrochemical industries would have to be analysed simultaneously in the framework of a mathematical programming model. Such a study has already been completed and the results for 1978 and 1984 have been reported in "Investment Planning for Petroleum and Petrochemical Industries: An Interregional Programming Model for India" by Ramesh K Bhatia, Institute of Economic Growth, Delhi 7 (mimeographed) May, 1973.

13 "Indian Petroleum and Chemicals Statistics", Ministry of Petroleum and Chemicals, New Delhi, p 144.

14 Fertiliser plants using partial oxidation process can use fuel oil in place of naphtha. This changeover can save about 1,40,000 tons of naphtha (per year) used in the Gorakhpur and Trombay units. About 2,00,000 tons of naphtha is used in GSFC (Gujarat State Fertiliser Corporation) and IFFCO plant at Kalol. This could be easily substituted by providing more natural gas to these units. If naphtha is not used as a source of hydrogen for hydrocracking, availability of naphtha would increase by about 5,00,000 tons.

15 In addition to the present consumption of 0.3 million tons, a naphtha cracker in Gujarat and petrochemical complexes in Assam and Tamil Nadu would require around 0.6 million tons. For new units which may come up, naphtha imports can be considered if a proportion of the total production is exported. These possibilities have not been examined in this paper.

16 Out of the total power capacity of 33,680 MW in 1978-79, thermal plants will account for 19,008 MW, i e, 57 per cent of the total. The generation of energy from different types of units would depend on a number of factors. In the absence of details, 57 per cent of energy (MnKwh) is assumed to come from thermal plants. Also, consumption of fuel oil as auxiliary fuel has recently increased in some power stations. However, with better working of the regional grid system and more efficient load-despatch techniques, the auxiliary consumption could be kept at the suggested level.

17 1.0 million tons of fuel oil used as feedstock would provide about 1.0 million tons of nitrogen (N). Available fuel oil would be sufficient for the new projects including those in the north-west region. However, this would require consideration of projects such as Sindri (modernisation) which, as an oil-based plant in the midst of the Jharia coal mines was an odd proposition even at those lower crude oil prices.

18 These investment costs include the costs of the following process units of appropriate capacities: atmospheric distillation, vacuum distillation, naphtha caustic wash, catalytic reforming, hydrodesulphurisation, bitumen blowing plant and power plant.

19 The costs may vary depending upon the existing capacities for vacuum distillation and hydrogen manufacturing at a given refinery-petrochemical complex.

20 The foreign exchange components of the capital costs can be estimated as follows: 30 per cent of simple refining units; 50 per cent for hydrocracking units and 60 per cent for pipelines. The approximate foreign exchange component of costs would be around Rs 100 crores in each of the two alternatives. The annualised charges corresponding to these investments in foreign exchange are about Rs 15 to 20 crores, i e, a small proportion of the reduction in import bill in Alternative II.

21 The mathematical programming model which minimises the sum of total costs, including the costs of transporting petroleum products, indicates that the total costs are lower in Alternative II.

22 The optimum pattern of coal transportation would depend on the production of coal in various mines and the demand for coal for power generation and railways. It has been estimated (Kumaramangalam, *op cit*, page 65) that production of coal in 1978-79 in Central India and outlying fields (Korba, CIC, Singareni, Maharashtra, Pench-Kanhan-Tawa) would be 42.8 million tons as compared to 19.2 million tons in 1971-72. The estimated proven reserves of these coalfields are around 1,167 million tons while the estimates of total reserves are put at 20,000 million tons. The output of non-coking coal in Bengal-Bihar region is estimated to increase from 31.5 million tons in 1971-72 to 53.1 million tons in 1978-79. Production of coal in Bengal-Bihar can be increased more quickly than in other coalfields and hence its transportation through Haldia to Bombay/Madras/Kandla by coastal shipping can ensure availability of coal in the consuming regions.

23 'Coal Industry in India' by S Mohan Kumaramanglam, Oxford Pub Co, 1973, p 43. The Draft Fifth Plan envisages an investment of Rs 205 crores in NCDC mines, Rs 125 crores in development of mines taken over, Rs 85 crores for other coal mines (existing schemes) and Rs 30 crores for Singareni coal mines. However, the estimated annual output from these mines is not available. If the entire investment is assumed to increase the production of coal from 79 million tons to 135 million tons, the average investment costs comes to Rs 80 per tonne.

24 The quantity of coal required to substitute for one ton of fuel oil would depend on the grade of coal (in terms of kilocalories per kilogram) and the fuel efficiency of the equipment used. If fuel oil is used mainly as a source of heat in boilers and industrial furnaces, two tons of good quality coal (more than 5,250 kilocalories per kilogram) can replace one ton of fuel oil. Since in most of the industrial units and power plants furnace oil is used as boiler fuel, it is assumed that 7.0 million tons of coal would be adequate for substituting 3.5 million tons of fuel oil.

25 The availability of heavy-ends in Alternative I is 13.7 million tonnes against 6.5 million tonnes in Alternative II. Assuming that under Alternative I, 6.5 million tons of residual heavystock would be used as suggested in Table 8, about 3.5 million tons would be used in power plants and industrial units and an additional 0.2 million tons would be required as refinery boiler fuel, Alternative I provides for an additional 3.5 million tons of fuel oil to be used for industrial units. Although, Alternative I also provides about 1.0 million tons of extra petrol, since petrol consumption can be reduced by reducing the movement of vehicles, it is not necessary to provide for an alternate fuel.

26 This assumes that a 40 ton wagon would cover the distance of 900 kilometres in 30 hours. Assuming 100 per cent empty return and 4 days required for loading/unloading, one round trip would require 7 days. If a wagon makes 50 such trips in a year it can transport 2,000 tons of coal per year. Thus, 500 wagons can transport about 1.0 million tons per annum. With the use of unit train or integral train and the mechanical loading system, the turn-around time may be lower than 7 days.

27 The anticipated cost of one box-type (Bogie open) wagon varies between Rs 0.50 lakh and Rs 0.63 lakh. The cost of Bogie open wagon (Boy Gondola type) is around 0.28 lakh as indicated in "Works, Machinery and Rolling Stock Programmes of Railways for 1973-74" Ministry of Railways, Railway Board). The average export price of a railway wagon was Rs 0.47 lakhs during the period April 1972-March 1973. The cost of diesel electric loco ranges between Rs 18.6 lakhs and Rs 27.5 lakhs.

28 The capital costs would be of the same order if smaller wagons (23 tons) are used. Also, the actual cost would be less because some of the wagons and locos currently being used for transporting furnace oil to industrial units would be released and used for transporting oil products.

29 The operating costs for moving 7.0 million tons of coal would include: Rs 1.8 crores at Rs 1.32 per ton of terminal costs plus Rs 11.2 crores at Rs 0.008 per tonne-kilometre of line haul costs. The operating costs of 7.6 million tons of simple refining crude oil would be of the same order as the operating costs of 4.0 million tons of hydrocracking since the additional costs of hydrogen manufacturing (naphtha costs) and boiler fuel in hydrocrackers has already been taken into account by providing required quantities of naphtha and fuel oil. Since the differences in operating costs in the two alternatives would be a small proportion of the differences in crude oil costs, these details of operating costs have been ignored. However, it does not affect the basic argument of the paper.

30 Assuming that one ship (15,000 DWT) carries 14,000 tons of coal per trip, the total number of days at sea (round trip) is 11 and it takes 6 days for loading/unloading, it can transport 0.28 million tons of coal in 20 trips during the year. 25 ships would be required to transport 7 million tons of coal from Haldia to Bombay/Kandla and would cost about Rs 112 crores.

31 At an import price of $ 60 per ton for fuel oil, coal-based fertiliser plants are more economic even when the capital costs of coal-based plants are substantially higher than those based on fuel oil as feedstock.

32 The cost-minimising mathematical programming model referred to earlier has evaluated the available secondary processes such as hydrocracking, catalytic cracking and coking. It has suggested that hydrocracking is the optimum conversion process for all locations where furnace oil demand is substantially reduced.

33 The measure of adequate capacity would depend on the total availability of fuel oil released from its misuse as furnace fuel.

The Tata Iron and Steel Company Limited

Statement of the Chairman, Mr J R D Tata

THE following is the Statement of Mr J R D Tata, Chairman, The Tata Iron and Steel Company Limited, for the year 1973-74:

A Year of Crisis

From the production point of view, the past year has been perhaps the most difficult year in the history of the Company, for never before have we had to close down parts of our plant or curtail output continuously because of lack of coal and shortages and interruptions in electric power. In fact, in February this year, we were more than once on the verge of total closure in order to protect our plant from damage.

These serious obstructions to sustained production have not been our lot alone. Practically all industries in the country have suffered from them at a heavy cost to our hard-pressed economy. Already burdened with a runaway inflation, massive shortages, the oil crisis, and other grievous problems, the country could well have done without this added man-made affliction which has aggravated the severity of all the other factors. Man-made it clearly was, for, although none of all the basic inputs of industry are more vital to production than the availability of raw materials, fuel, electric power and transport, these are the very items the supply of which Government failed to ensure after twenty years of all-embracing planning and economic controls.

These were not the only industrial inputs from the dearth of which industry and the whole economy have suffered in the past year. Steel, cement, soda ash, amongst others, were all in short supply, due largely to the primary shortages in coal, power and rail transport. As was to be expected, these multiple shortages added further fuel to the fires of inflation already more than sufficiently fed by massive deficit financing and country-wide shortages in consumer goods.

To err is certainly human and one would not feel so critical about these failures were it not that the advice, pleas and warnings, offered and submitted year after year by leaders of business and industry regarding the consequences of Government's economic policies, were consistently ignored or rejected.

In India, partly for ideological reasons, partly for a lack of trust in the private sector and, perhaps, partly also for reasons of misplaced prestige, the views of industry have been, and are, consistently ignored or rejected whenever they differ from the official view, which means most of the time. The few formalised consultative forums like the Central Advisory Council of Industries and annual meetings of Chambers of Commerce are generally treated as futile occasions for making, or listening to, set speeches, while Chairmen's annual statements, although usually well reasoned and documented, are wholly ignored.

The High Price of Unrealism

We all realise that the task of promoting a rapid rate of economic growth, with social justice, is an immensely complex one with controversial overtones in which there is, therefore, much room for divergent views, particularly where ideological considerations are allowed to impinge unduly upon the subject as they do in India. We also know that there can be no simple solutions to difficult human problems. But, in their urge to nationalise or control all economic activity, Government and Parliament still fail to face certain obvious realities, including such simple ones as that there can be no real social justice in a country like ours without economic growth for, today there is only poverty to distribute; that industrial production cannot rise without an increased supply of raw materials, electric power and transport; that these cannot be ensured without adequate investment years in advance of needs; that a high level of production cannot be obtained solely by expending large sums of money on physical assets which, as so often happens in India, break down or operate at a fraction of their capacity unless backed by high standards of maintenance, managerial skills, training and experience and by a reasonable degree of discipline in industry. Most of these simple and obvious facts have been widely neglected in the past the consequences of which are at the very root of the present crisis.

Is there any doubt, for instance, that most of the infrastructural shortages which are crippling industrial production today are largely due to a dearth of investment in recent years on railway wagons and other essential needs, to poor maintenance and management, to labour disputes? Is it not true that, if instead of the 50 per cent average utilisation of thermal generating units achieved in India today they were operated at the level of 80 per cent to 85 achieved throughout the world, including, I am glad to say, by the Tata Thermal Plant at Trombay, much of the overall power shortage from which the country suffers today would disappear overnight?

A New Dawn?

Paraphrasing the well known adage, Night is supposed to be darkest before the Dawn. Two recent developments arouse hope that a new economic dawn may be breaking. The first one is Government's newly evinced determination that a minimum degree of peace and discipline be maintained in industry. While the workers' right to a fair deal, whether employed by Government or by the public or private sectors of industry, is undoubted and must be respected, their claims can no longer be judged in isolation from the claims of the far greater number of the country's under-privileged citizens, whose needs are even greater than theirs, nor in total disregard of available resources. In the dire straits in which our economy finds itself today, an irresponsible exercise of the immense economic powers trade unions have acquired since Independence, largely used for political ends, can no longer be allowed repeatedly to disrupt production and transport and hold the country to ransom. It may now be hoped that, following such determination to keep production going, the country has entered upon a new era of increased production and productivity.

The business and industrial community should, however, realise that any retraint imposed on or voluntarily accepted by labour in regard to wage demands and work interruptions places an even greater obligation on them to exercise similar restraint and discipline in regard to the pricing and distribution of their products, a restraint which today is too often conspicuous by its absence.

A Welcome Break from the Past

The other development, which directly concerns the steel industry, is Government's new approach to the pricing of steel. Every year, for the last 25 years or more, I have argued and pleaded that Government's price fixing policies should be such as to ensure, in the country's own interests, the continued health of this most basic of all manufacturing industries. Yet, year after year, Government have continued to fix steel prices at levels much below those earned by steel producers elsewhere in the world, thereby denying to the Indian industry the minimum financial means required to keep its plants in good condition, let alone to expand their capacity. Upto October 1973, Government allowed the industry, usually with a costly time lag, only increases in prices sufficient to compensate it, not always in full, for increases in costs beyond its control. The basic price structure, however, which compelled the main producers to sell their steels at prices far below those at which they could be imported, remained largely unchanged.

The argument sometimes advanced in the past that the Indian consumer was entitled to some return for the sacrifices he had made in paying higher prices during the period of protection from 1923 to 1939, was wholly specious, for it conveniently ignored the fact that the sum total of these sacrifices was less than Rs 11 crores spread over sixteen years, whereas the amount by which the industry in both sectors was made to subsidise the consumer in subsequent years, has come to the formidable total of over Rs 4,400 crores, of which no less than Rs 1,565 crores were contributed by our Company alone!

Apart from being grossly unfair to the industry, this policy was thoroughly unsound because, in the resulting scarcity of steel which prevailed most of the time in the country, the main beneficiaries of the low prices allowed to the producers were the blackmarketeers, while the industry, deprived of adequate resources, stagnated to the country's detriment.

With effect from 15th October 1973, Government have taken an important step towards a more rational and fair steel pricing policy. While retaining the old formula in respect of plates, structurals and Railway materials, they have increased the prices of certain categories of steel to levels which, while still substantially below foreign prices, allow the industry a badly needed accretion to the resources it can devote to replacement and modernisation. The results of this change in Government's policy are reflected in the accounts for the year.

Unfortunately the unchecked inflation which continued to stalk our economy has already eroded much of the increase granted in October; still the new policy provides at long last a welcome indication of a more realistic approach, at least in regard to steel, to the question of price controls, and I would like to take this opportunity to express to Government our gratitude for their courageous decision. I can only hope that this new approach represents a permanent change in Government's thinking and that it will be extended, in due course, to other industries, such as cement, which have suffered for years in the same way as we have from the unrealistic policies of the past.

One feature of the new price policy, which shareholders will perhaps have noted with concern, is the condition imposed by Government that the excess of the new prices over the retention prices is to be used exclusively towards financing schemes of modernisation and development, none of it, therefore, being available for any increase in dividends. I am sure, however, that they will appreciate that, by enabling the plant to be modernised and made more efficient, the new policy is in their own long-term interests as well as those of the country as a whole.

Expansion Project

As indicated in the Directors' Report, the Nippon Steel Company's Report for a large-scale expansion of steel capacity at Jamshedpur has been received. Their proposal, based on the technical aspects of the project, is for the construction of new capacity for producing three million tonnes of raw steel to be rolled into about 2½ million tonnes of flat products. Such an expansion would be 50 per cent larger than that originally contemplated, and would bring the total capacity at Jamshedpur to about 5 million tonnes of raw steel or 2½ times the present capacity.

Unfortunately, the cost of the project is a correspondingly formidable one, estimated at about Rs 1,800 crores, including the cost of development of our ore mines and collieries, power generating capacity, and a large raw material bedding and blending yard at Jamshedpur.

The estimate, so far as the plant itself is concerned, is based on Japanese costs which, oddly enough, are today higher than in the USA or Europe. In view, however, of the continuing world inflation, combined with the fact that such a large project would take some four years to complete, the cost is not likely to be substantially lower than the figure mentioned unless the scope of the scheme itself is curtailed.

In the face of such an astronomical financial requirement, shareholders may wonder what role their Company can play in the project. There is no answer to such a question at this stage. It is obvious, however, that the project is far too big for the Company to tackle alone and that Government and/or other institutional finance would have to bear the major part, if not the whole, of the burden.

Such a project cannot be considered in isolation, but must be viewed as part of the expansion of the Indian steel industry as a whole. That the industry must be expanded to meet growing demands is, of course, clear, but where, how and at what rate are complex problems which, ultimately, can only be resolved by Government in the context of the total economic development of the country and the constraints of available resources. An admittedly difficult problem of priorities arises here, for steel is only one of the many infrastructural needs in short supply today.

Infrastructural Needs

The fact must also be borne in mind that steel capacity cannot be expanded by itself. Along with it, must also be expanded sources of raw materials, electric power, rail transport, engineering products of all kinds, and, equally important, the human inputs required to engineer, build, manage, and efficiently operate them. As things are today most of these are in such short supply, that even the relatively low existing steel making capacity of the country cannot be fully utilised.

An indication of the magnitude of some of these requirements, especially significant in the light of the present situation, is that at least six tonnes of materials, including the finished steel itself, have to be moved in and out of a steel plant for every tonne of finished steel produced.

I sincerely hope, therefore, and would earnestly urge that, in considering the overall problem of expanding the country's steel capacity, Government will attach the full importance it deserves to the need for ensuring that the growth of all the required physical

and human inputs of steel making keeps pace with the expansion of the steel making capacity itself. Few industries, if any, are more capital intensive than steel making, and India just cannot afford to spend vast sums on projects and then find that they can only be operated at a fraction of capacity because of inadequate raw materials, power or rail transport.

To revert to the Jamshedpur project and to the Steel Company's possible role in it, all I can say at this stage is that we have offered to Government our full co-operation in the national interest, with due regard to the legitimate interests of the shareholders. It may be of some reassurance to them to know that by far the largest amongst our shareholders are the Government financial institutions, which have made large investments in the Company out of funds belonging to millions of small policy holders and investors whose interests, which coincide with those of the thousands of our own shareholders, they will presumably do their best to protect.

Our Modernisation Programme

The exciting prospect of participating in the engineering, construction and operation of a new and large steel plant at Jamshedpur is not being allowed to divert our and our Engineer's attention from the need to bring and maintain the present Works to the highest possible level of efficiency. We are therefore taking further steps to strengthen our engineering organisation, including its design capabilities, and to add to our ability to manufacture and fabricate scarce replacement items of plant and equipment, some of them of a sophisticated nature. It is not sufficiently realised in India how essential such activities are to the maintenance and development of any large factory or plant in a developing country lacking a strong design-cum-manufacturing infrastructure. The fact that it is sadly neglected in India explains much of the low plant utilisation and general stagnation prevailing in so many of our industries.

Because of the inadequacy in the past of internally generated funds to plough back into the rehabilitation and modernisation of our plant, some units of which are over fifty years old, there is now a vital need for us to undertake a large programme of renovation and improvement if the plant is to be able to operate at full capacity, when coal, power and rail transport become fully available again.

The new pricing policy of Government, to which I have referred earlier, and the resulting accretions to the modernisation and development fund make possible at long last a higher tempo of expenditure on renovation. Had we not been starved of funds all these years, the plant would be a more modern and efficient one today, and probably a larger one too, to the great benefit of the country.

We have, therefore, embarked upon a five year capital expenditure programme at an estimated cost of about Rs 180 crores, of which a substantial part will be spent on our coal mines in order to make ourselves self-sufficient in our requirements of high grade coking coal.

Self-Sufficiency in Coal

In view of the serious coal shortage which has recently developed and because of the much larger future requirements of the growing steel industry, it is now imperative that we should as soon as possible draw all our requirements from our own coal mines, the large scale development of which will be all the more necessary if and when the three million tonne expansion project materialises.

Such a mine development programme was not undertaken earlier, partly because of a lack of funds, but also largely, as stated in last year's Directors' Report, because of the inordinate delay, first, in getting Government's approval to our obtaining technical advice from France where coal seams and, therefore, mining conditions are similar to India's, and later in obtaining an industrial licence and the necessary import licences. This, incidentally, is another case of the industrial licensing system being, in my view, wrongly applied. I would urge Government to exempt from the obligation to secure industrial licences, projects for mining raw materials or manufacturing products required only for captive use and not for sale. It is a strange fact that in our country, in which there is such an obvious need for maximum production and rapid industrial growth, the licensing system is so often applied in a way which not only delays and slows down growth, but also seeks to punish those who produce too much rather than those who produce too little.

The years ahead will continue to be difficult ones for us, as I fear they will for the country as a whole, but the deep economic crisis in which we have been floundering, climaxed by a terrifying rate of inflation, seems to have aroused a new and refreshing sense of realism in Government quarters. Although still only a gentle breeze, the beginnings of the winds of change can be felt in the air and because of it I, for one, feel greater confidence in the future than before. One thing at least of which I am sure is that our Company will rise to any challenge and will, with efficiency and dedication, continue to play its role in the economic recovery and future progress of the country.

On the retirement of Mr R S Pande, appreciation of whose services has been recorded in the Director's Report, the burden of top management responsibility has fallen from the 9th April 1974 on the broad shoulders of Mr Russi Mody after 34 years of distinguished service with the Company. Able and energetic, Mr Mody has shown qualities of leadership, a consciousness of the importance of high morale at all levels and the need to pass on responsibility and initiative down the line, all of which, will I am sure, stand him in good stead in leading the organisation.

Since the last Annual General Meeting, the Board of Directors has taken on a new look with the appointment of three Institutional and three Executive Members. I am sure the shareholders will welcome this change which is in keeping with evolving circumstances and modern managerial trends.

As usual, I am happy to close my remarks with an appreciative reference to our management, staff and workers at Jamshedpur and elsewhere. Rarely in the whole of our long history have they had to function under such grievous handicaps and with so many obstacles to surmount as in the past year. They rose to the occasion magnificently and our unstinted thanks are due to them. The sense of pride in Tata Steel, the independence of spirit and judgment and the hard realism displayed year after year by our workers and staff have made Jamshedpur an oasis of industrial peace and discipline unique in our country torn by recurrent industrial strife. This, perhaps, is our greatest asset for which we and the whole country may indeed be thankful.

J R D Tata
Chairman

Bombay, 3rd July, 1974.

The Indian Hotels Company Limited

Statement of the Chairman, Mr J R D Tata

THE following is the Statement of Mr J R D Tata, Chairman, The Indian Hotels Company Limited, at the Seventy-third Annual General Meeting of the Company held on July 23, 1974.

Year's Results

The Accounts before you reflect the increased tempo of the Company's operations during the year under report as a result of the completion of its construction-cum-renovation programme.

The results would have been still better were it not for the prolonged disruption of Indian Airlines' operations during the year and the severe inflation which greatly increased our costs. In these circumstances, the Government of Maharashtra's imposition of a mandatory reduction of prices was difficult to understand and its withdrawal from 1st November was overdue.

Prospects

With hotel and restaurant tariffs still appreciably lower in India than in most other countries, and with the flow of foreign visitors to India a fraction of what it is in many countries much smaller than ours and offering much less to foreign tourists, it is clear the that the international hotel trade in India still has an enormous potential for profitable development despite such inhibitory factors as the oil crisis, increased air fares and severe inflation throughout the world which discourage international tourism.

Impediments to Progress

Our Company may, therefore, look forward to continued profitable and growing operations, provided strikes, "bandhs" and similar public demonstrations do not unduly restrain travel to and within our country. We in Bombay have had more than our fill of such exhibitions in recent months. While gratefully recognising the effective action taken by the Government of Maharashtra to protect the movement of tourists to and from this city, during the various "bandhs" one cannot help feeling that Government have treated these disruptive activities with undue complacency and seem to accept them as a normal way of life.

Assaults on Law and Order

I doubt that there is any country in the world where a single individual, or a small group of labour-cum-political leaders can, at his or their whim, hold a great city to ransom and compel its citizens to suspend their normal activities.

This state of affairs is a total negation of any Government's claim that the state or country it governs is a peaceful and stable one which should attract foreign tourists.

The citizens of a city or a country should certainly be allowed to express by peaceful means their resentment against their Government's failure to control prices, thus subjecting them to severe economic hardship, but the forced closure of Bombay's normal life four times in five months, deliberately planned and inflicted on a defenceless citizenry, goes far beyond the tolerable limits of such public expressions of protest.

Furthermore, in many instances, these assaults on law and order have taken the form of destroying or damaging public service vehicles and other assets which are used not by the affluent but by the poorer inhabitants of Bombay, thus aggravating the grievous hardships already endured by them. Is it not the primary duty of any government to protect its peaceful citizens from lawless interference with their legitimate activities?

The situation in Bombay and other parts of India is in striking contrast with that prevailing in the magnificently clean and orderly cities of Singapore and Kuala Lumpur which I have recently visited. There will, I fear, be little hope for our country to develop into one of the great and prosperous democracies of the world if Central and State Governments are unwilling to curb anti-democratic activities because of their fear of the adverse effect that firmness on their part might have on voters.

In their search for a better life for themselves and their children, the people of India want and are entitled to, good, clean and firm government. Continued failure to meet these criteria can only lead to despair, revolt and ultimate chaos. We are running out of time for the situation has aleady reached a point of no return.

Apart from the impact of mass demonstrations on the flow of tourism to India, the lack of cleanliness, discipline and the harassment of tourists by beggars, hawkers and others in the streets of Bombay and other major cities in India, are also a severe deterrent to foreign visitors who compare these conditions with those prevailing not only in their own country but also in other countries in Asia.

The Problem of "Zopadpattis"

The freedom allowed to a million or more people in Bombay illegally to occupy every open piece of ground, however small and unsuitable, to build hutments totally unfit for human habitation, and to live in them with their families in squalor and at the risk of causing serious epidemics, provides futher evidence of Government's unwillingness to take firm action to prevent unlawful activities despite the risk to citizens' health and safety.

The problem of providing alternative accommodation and even, when available, of inducing occupants of zopadpattis to vacate them, is admittedly a difficult one and I can well understand Government's reluctance to eject people already settled in them in view of the hardships it would inflict on them. Yet, some of these hutment colonies are under the control of criminal elements who extract tolls from their hapless inhabitants, while in many cases gainfully employed occupants who could afford to pay a modest rent for decent accommodation prefer to live free of rent even in the appalling conditions prevailing in these hutment colonies.

It is high time that a study in depth be made of the problem along with a detailed survey of zopadpatti inhabitants, their employment, income and needs on which a practical long-term plan can be devised. Any such plan will take many years but in the meantime it is within the power of Government and Municipal authorities and therefore their duty to stop the spread of this plague by preventing further encroachments and unauthorised construction of hutments as a first step towards an ultimate long-term solution to the problem.

Such action can be taken at small cost in effort, manpower and money, by the simple means of deploying a few mobile task forces, each consisting of one jeep with a police officer or constable and a municipal officer and one truck with two or three mazdoors. These flying squads would continuously patrol the city and remove to dumping grounds all materials collected on any unauthorised spot by encroachers before or at the very beginning of their assembly into a hutment. Such measures are common in most cities in Asia largely visited by tourists and even in our own country have been taken at Jamshedpur

for many years, peacefully and without causing hardship.

Expansion Plans

Our programme for the expansion of our activities outside Bombay is making good progress.

The Taj Coromandel in Madras, sponsored by us and under our management, began operations in April 1974. Although it is not as yet complete, most of its rooms and amenities are now open to occupation and it has already created an excellent name for itself. It is, in fact, the only first class hotel in Madras.

Construction of the Fort Aguada Beach Resort Hotel in Goa has also made excellent progress and the resort is expected to open by November in time for the exposition of the body of St Francis Xavier. It will offer beach resort facilities comparable to the best in the world.

Our expertise and reputation in the field of hotel and restaurant management is well-known both in India and abroad, and we are being approached from many quarters for rendering technical assistance or providing consultancy and management services for new hotels and restaurants.

In view of the heavy financial commitment we have made on our Bombay hotels and in investment in other hotels, the expansion of our activities in India as well as outside India must, for the time, lie principally in such consultative and managerial activities. We are, therefore, concentrating our efforts in this direction and have already made appreciable progress.

Apart from undertaking the management of the Madras and Goa hotels, we have been appointed consultants and advisers to the Covelong Beach Resort Hotel situated 15 miles south of Madras city. Our collaboration will, we believe, be benefical to both this hotel and to the Taj Coromandel at Madras. Negotiations have been started for hotels in Agra, Banaras, Bangalore and Delhi.

Udaipur and Jaipur Hotels

In regard to the two hotels under our management at Udaipur and Jaipur, while the operation of the latter has continued to be satisfactory, the Lake Place at Udaipur has continued to be dogged by misfortune. After the drought of 1972 which dried the lake for the first time within memory and necessited closure of the hotel for 4 months, floods coupled with the prolonged Indian Airlines' strike, which almost totally cut off its accessibility to tourists, severely affected its operations during the past financial year. I hope that this beautiful hotel, which with its magnificent setting in the middle of the Udaipur Lake is perhaps the most unusual and romantic hotel in the world, has exhausted for good its quota of bad luck and will from now be allowed to reward the heavy investment recently made by its owners in its expansion and renovation and fulfil its fine tourist potential. This potential, however, cannot be fully realised unless and until Udaipur airport is expanded so as to make it usable by jet transport aircraft, which is not the case today.

Personnel Development

The success of all our long-term programme of expansion in India and abroad will depend largely on the training and efficiency of the personnel at all levels that we deploy for our growing activities. Apart from the basic qualifications and training required by any form of service industry dealing directly with its customers, the hotel industry requires from its personnel special qualities, attitudes and skills, which must be specially sought and developed by effective means of recruitment, training and on-job experience. I am glad to say that our Management has, from the start of our expansion programme, been fully conscious of this need, and a process of man power organisational and succession planning has been established and actively pursued. The appraisal of all categories of staff has been formalised, and different types of training to develop personnel and plan their careers are in operation at the three levels of craftsmen, supervisors and managers. External and internal courses are in operation and a batch of management trainees specially recruited and inducted, is being trained to fill the growing managerial needs of the organisation.

Tourism Foreign Exchange and Hotels

I have referred earlier to the scope and the need for the development of the Indian hotel industry. I doubt that the true magnitude of the foreign exchange earnings potential of the Indian hotel industry is fully appreciated by the Government of India despite the fact that, according to Government's Department of Tourism the foreign exchange brought to the country by foreign visitors was about Rs 70 crores last year, and is expected to reach Rs 100 crores this year. When one realises that this valuable contribution to the solution of our balance of payments problem has been obtained from a mere 4,10,000 visitors, from overseas, whereas even small countries like Spain and Greece received about 35 million and 3 million visitors respectively, one can appreciate the extraordinary large potential of this source of foreign exchange.

While all the foreign exchange earned is obviously not that spent by foreign visitors in hotels, full availability of hotel accommodation is crucial to the growth of tourist traffic, along with sufficient air transport and first class rail capacity within the country. If both were fully available, I personally see no reason why our earnings in foreign exchange from visitors to India could not, within a few years, reach a thousand crores annually and become by far our largest single source of foreign exchange earning.

It is, therefore, imperative that the expansion of hotel capacity to international standards be treated as a first priority in our struggle for achieving a favourable balance of payments.

Government can themselves put up only a limited number of hotels and must therefore, rely on the private sector for a major part of the expansion of the industry. However, the cost of putting up new hotels, because of rocketing prices of the building materials, air-conditioning, lifts and other equipment required for hotels, has risen to such an extent that, in combination with heavy taxation in various forms, the hotel industry is today hardly in a position to offer a return sufficient to attract the investment of funds required.

One must gratefully recognise that Government has, in the past, been helpful to the industry, particularly in providing funds through the Hotel Development Fund and through loans from their financial institutions, but much more is needed today to promote quick and adequate development of hotel accommodation in various parts of the country. I must once again urge, as I did last year, that Government should review their present policies and provide much greater fiscal and monetary facilities and amenities to attract investment to this vital industry.

Conclusion

In closing, I am happy to refer to the excellent relations we continue to have with all members of our Company's staff. In no other business, except perhaps airlines, is success and growth so dependent on individual effort and personal service obtainable only from a highly trained conscientious and enthusiastic staff, often working under great stress and emergency conditions such as have unfortunately become endemic these days in our country. I am sure I shall reflect the feelings of the shareholders in recording here our warm appreciation of the initiative, drive and hard work of the Company's officers and staff under the dynamic leadership of Mr Kerkar, our Managing Director, for it is primarily to them that we owe the growth of our Company's activities and profitability.

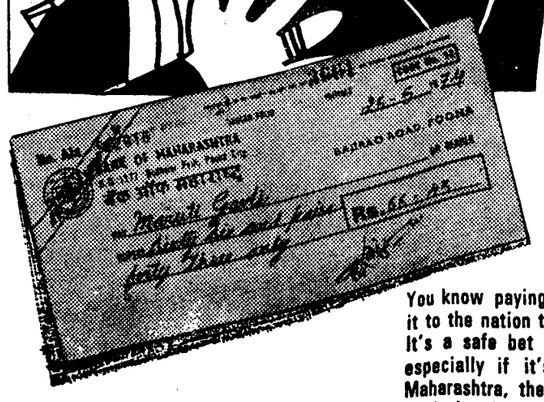
J R D Tata
Chairman

Bombay, 21st June, 1974.

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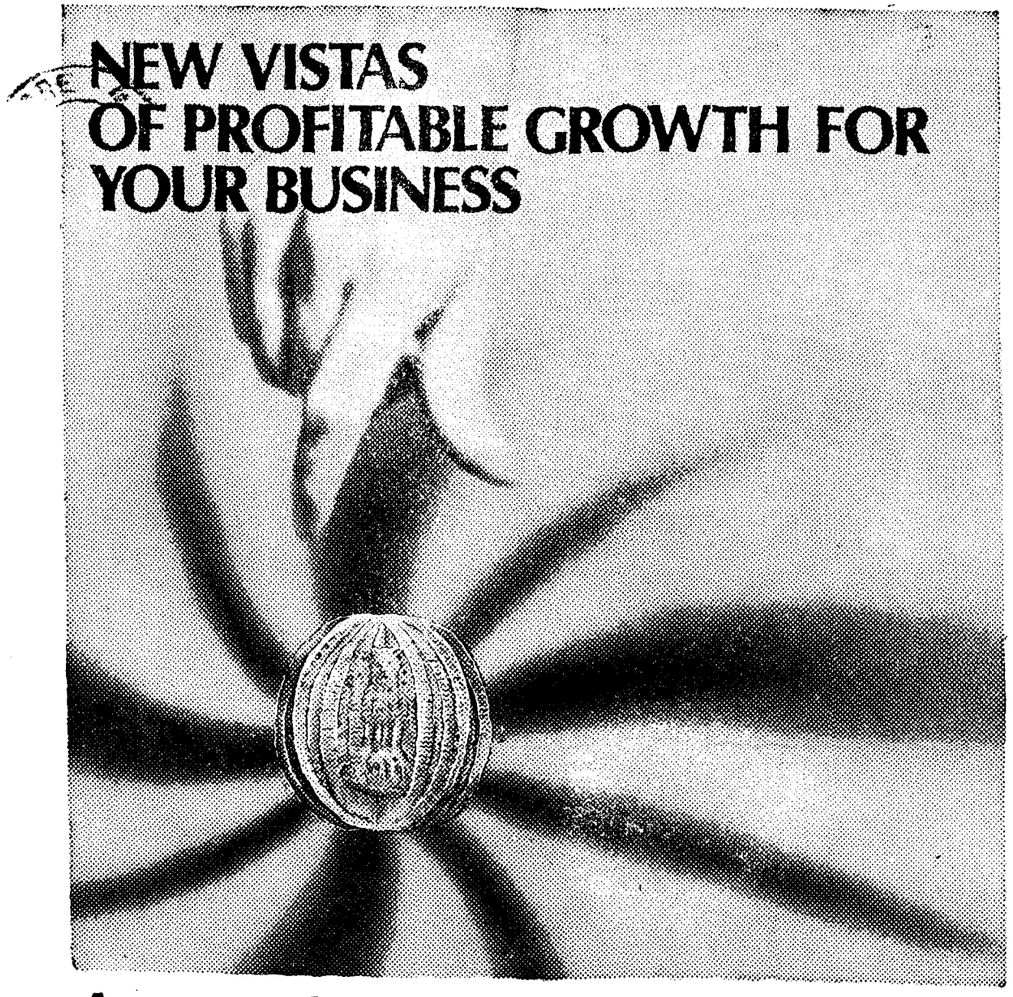
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MISLEADING QUIET IN BIHAR

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NAGALAND: PEACE THAT NEVER COMES

POLICE: DEADLY 'INTERROGATION'

SMALL FARMERS' DEVELOPMENT AGENCY



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The Final Option

THE government's attempts to cope with the inflation have not only been ineffective but are also becoming increasingly ludicrous. The supplementary budget, presented this week, had been advertised as a major item in the package of anti-inflationary measures and accordingly the Finance Minister's speech introducing it in Parliament was full of bombast. It described the presentation of a second Finance Bill only five months after the Budget proper as "an event of unusual significance" which "derives its justification from the fact that we are faced with a difficult economic situation". The decision to come forward with a second Finance Bill was, the Finance Minister further claimed, "not only an indication of the seriousness of the economic situation, but also a measure of the government's determination to grapple with it effectively". All this is so much laughable nonsense. It was pointed out in these columns last week that the supplementary budget had been forced upon the government by the fact of its having lost all control over the volume and pattern of its expenditure. This is not an altogether new development. Last year, for instance, the revised estimates of the government's non-Plan expenditure had turned out to be nearly Rs 1,000 crores higher than the Budget estimates. A continuation — perhaps acceleration — of these tendencies has now compelled the government to raise additional revenues. Hence, quite simply, the supplementary budget.

However, even in narrow, revenue-raising terms, the proposals presented to Parliament last week are a damp squib. Their combined yield during the current financial year will be a paltry Rs 123 crores. Compared to the emerging gap between the government's expenditure and its revenues, this is a drop in the bucket. The Finance Minister himself confessed that "the potential deficit can by no means be covered by fresh taxation only", though he baulked at disclosing to Parliament the true state of the government's finances. Thus all that he would say was that the burden of food subsidy would be "much higher" than the provision of Rs 100 crores made in the Budget; that the deficit in the railway budget would "increase substantially" beyond the original provision of Rs 52 crores; that the budgetary provision for additional dearness allowance would have to be "substantially increased"; and that there would be "some increase" in the expenditure on defence. This coyness was altogether unnecessary, for it is known that the two committees of senior officials which reviewed the trends in government finances have estimated the net deterioration in the financial position of the government compared to the estimates of the February Budget to be of the order of Rs 600-700 crores. The incidental nature of the Rs 123 crores of additional taxation proposed in the supplementary budget has to be seen in this context. Inevitably, therefore, there will follow further cuts in the government's developmental expenditure and a further tilting of the balance in government expenditure in favour of non-developmental expenditure. This is indeed some way to curb inflation!

Equally noteworthy is the manner in which the additional tax revenue is sought to be raised. Except for the tax on the interest income of banks, the entire amount is to be raised through indirect taxation. Such exclusive reliance on commodity taxation in a budget supposedly intended to make an impact on inflation is indeed fiscal unorthodoxy with a vengeance. For a government which has recently shown so much concern for demand management and curbing purchasing power in the economy, the decision not to touch personal incomes and wealth can be explained only in terms of political cowardice. And that being the case, the Finance Minister's exhortation that state governments should tax agriculture rings hollow. Worse still, though the Finance Minister has made appropriate noises about discouraging "conspicuous consumption", the major burden of his indirect tax proposals falls not on items of "conspicuous consumption" — among which there were many obvious candidates for taxation — but on intermediate goods like iron and steel, cement, copper and zinc. Given the acute scarcity of these items and the government's total lack of influence over their market prices, the impact of the imposts on them is likely to be felt on the prices of a wide range of end products — and *not*, as the Finance Minister fondly hopes, on the "windfall gains" of manufacturers and traders.

The Finance Minister has pleaded that the options open to the government are "narrow". Since the government has failed to do anything about deliberate withholding of supplies and speculative stock-building, by farmers as much as by trade and industry, it does seem that it has come to the dead-end in its policies. The impact on prices, if any, of the measures it has taken so far is likely to be more than offset by the worsening situation with regard to

the physical availability of major agricultural and industrial products.

The output of kharif foodgrains in 1973-74 had shown a rise of 10 mn tonnes. It was the kharif output which had been responsible for the increase in foodgrains production from about 95 mn tonnes in 1972-73 to 106-108 mn tonnes in 1973-74. Considering the behaviour of the monsoon so far, it is unlikely that the kharif output this year will reach last year's level of 67 mn tonnes. Indeed, we should be lucky if it is around 60 mn tonnes (against 57 mn tonnes in 1972-73). Likewise, production of cotton (at 66 lakh bales), jute (65 lakh bales), oilseeds (94 lakh tonnes) and sugarcane (12.6 mn tonnes) had been reasonably satisfactory in 1973-74. Almost all these crops are concentrated in the kharif season and — with the unsatisfactory weather conditions, the poor supplies of fertilisers and the continuing power shortage — their production is bound to be adversely affected this year. The outlook for industry is hardly better. The index of industrial production showed total stagnation in 1973 on account of the decline in the output of the basic and consumer industry groups — among them, particularly, chemical and agriculture based industries — as well as in electricity generated. The decline ranged from 1 per cent to 10 per cent among the major industrial groups. This trend in industrial output appears to have been accentuated in 1974. Some key industries such as mill-made cotton cloth and cotton yarn (during January-March 1974) and jute (January-June 1974) have shown declines of 14 per cent, 11 per cent and 31 per cent, respectively. Similarly, production of vanaspati has declined by 6 per cent and that of cement by 7 per cent during January-March 1974. There are also no signs of any improvement in steel, coal, power and transport.

Given these trends in physical output and the fatuity of the monetary and fiscal measures it has taken so far, the government's options appear to be narrowing to just one: suppression by force of all protest against the mass suffering caused by the inflation. This, one may be sure, is the option which the government will exercise more and more in the months to come.

Police

Deadly 'Interrogation'

A SUPPOSEDLY basic tenet of the legal system that we pride ourselves on in this country is that an accused cannot be made to give evidence against himself. Following from this, confessions made by accused persons are not admissible as evidence in courts of law. That is the law; the practice is, of course, very different. It is well known that virtually every single police investigation proceeds on the basis of information extracted from suspects in the course of so-called 'interrogation'. That the 'interrogation' really consists of the use of physical torture in varying degrees is equally well known. The police are helped in this by the practice of the courts of remanding suspects to police custody for long periods as a matter of routine and refusing bail even where the alleged offences are relatively trivial and bailable. Of course, in a large number of cases, the suspects are too poor and too ignorant to engage lawyers and to assert their legal rights. This very greatly simplifies matters for the police.

The beating up of suspects in police stations is thus a routine matter and normally attracts no attention, much less any protest. Once in a while, things do get a bit out of hand. The torture is particularly severe or the suspect is rather less hardy and he dies of injuries sustained during the police 'interrogation'. By the letter and spirit of the law this is murder. Yet police functionaries know that they can belabour suspects without any fear of the consequences; they have to fear only if they *do not* manage to extract enough information.

Sometimes when a person dies as a result of police torture, the event merits a cautious, often garbled, report in the newspapers. That way the last one week has been rather unusual; during this period Bombay papers have reported the cases of four persons, all of whom died in circumstances which give rise to reasonable suspicion that their deaths might have been the result of the treatment meted out to them while in police custody. Of the four, three died while in police custody and one within two days of being released from such custody. Excerpts from the relevant newspaper reports (all from *Free Press Journal*) are reproduced below :

"Allegations were made by a bereaved mother in the Court of City Coroner H J Chinoy that her college-going son had died of injuries sustained by him when he was 'severely beaten up' in the police lock-up . . .

"Dharampal Madanlal Kud, 20, a student of the Chetna College of Commerce, was arrested on June 26 by the Azad Maidan Police on suspicion of being involved in theft of a car belonging to a police officer. On June 28, the case was taken over by the Detection of Crime Branch, Bombay CID.

"Dharampal was released on bail on July 16 and admitted to the KEM Hospital on July 18 where he died within five hours of admission. The hospital authorities treated the case as one of natural death and performed a post-mortem without informing the Coroner. The cause of death was given as: 'acute yellow atrophy of the liver with epatic filla'.

"Mrs Kamla Madanlal Kud, mother of the deceased, in her application to the City Coroner, said that her son had been 'badly beaten up in the police lock-up and was vomitting blood and complained of acute pain in his body on account of severe beating'."

*

"A pavement-dweller, mistaken for a thief and allegedly beaten up by members of the public, died in the city hospital on Wednesday morning of ruptured intestines.

"Shriram Ramchandra Brahmane, 35, who had no particular occupation and lived on a pavement of Kumbharwada, was walking along the road at 12-30 a m on Tuesday when two constables attached to VP Police station became suspicious of his movements and challenged him.

"When Shriram started running, the cops shouted 'chor, chor' which was a signal for members of public to join in the chase and catch him and beat him up before handing him over to the police. He was searched and nothing incriminating was found on his person.

"After first aid at J J Hospital, he was hauled to the police lock-up and 'interrogated' which also did not reveal anything incriminatory. On Tuesday evening, he complained of stomach-ache and he was admitted to the J J Hospital where he died on Wednesday morning."

*

"Era Somalu Gurayya, 25, was arrested by Vile Parle Police on Tuesday last from the Sahar bus stop, as he was suspected of being involved in some crime.

"On Friday night, he was brought out of the lock-up and taken to the detention room for interrogation. As he was being questioned, he asked for a glass of water, saying that he was feeling unwell. The very next day he complained of pain in his chest and was sent in the police jeep to the Cooper Hospital where he died before admission."

*

"A person who was arrested by the Dadar Railway Police died in somewhat mysterious circumstances before admission to KEM Hospital.

"Bhagwan Motandas Sindhi (40) was arrested by the police on July 6. Since then he was in the lock-up at the Dadar railway police. On Saturday he complained of pain in the stomach and was taken to hospital but was declared dead before admission.

"Since the death had taken place in the jurisdiction of Bhoiwada police station a report was made to them. An officer of the police station went to the hospital and took charge of the body. When the body was examined the officer found 14 old injuries. Both the feet of the deceased appeared white and the skin on the surface had gone."

Scheduled Castes

No Social Way to Justice

Our Maharashtra Correspondent writes :

SONAGE is a village in Kagal taluka in Kolhapur district. Situated on the state highway between Nipani and Radhanagari, it is just 30 miles from Kolhapur city. Sonage has a population of over 2,000, of whom 300 are scheduled caste Mahar converts to Buddhism. Till early July the caste Hindus and the scheduled castes of Sonage had not clashed openly. In fact, officials could boast that a scheduled caste youth, Sitaram Kamble, who is a post-graduate student, was chairman of the village milk society. Sitaram Kamble and Prakash Kamble, another graduate, are acknowledged leaders of Sonage's neo-Buddhist community. As always, the neo-Buddhists live in the 'Buddhawada' — traditionally known as the 'Maharwada', which is invariably located on the outskirts of the village. What happened in 'Buddhawada' one late evening in the first week of July reflects how little the Ambedkar-led mass conversion of Mahars to Buddhism has altered the scheduled castes' low status in Hindu society.

Late that evening, four caste Hindus entered the scheduled caste locality. One of them, Londhe, has some notoriety in the village. The Mahars claim that the four men were quite drunk as they approached one house and knocked on its door. Evidently fearing molestation of their womenfolk, the inmates of the house resisted and barred its doors. As the four, led by Londhe, continued to misbehave and abused the womenfolk of the family, the Mahars led by Sitaram Kamble and Prakash Kamble first urged the four men to leave and then, as their pleas went unheeded, tied the riotous foursome to nearby trees. They then decided to call the police from Murgud, some four miles away, where the police chowki is located.

Meanwhile, news of the incident had spread to the rest of the village. The caste Hindus, angered at the 'temerity' of the scheduled caste in tying caste Hindus to trees, gathered around the Buddhawada in large numbers and attacked the residents. Mahar families were dragged out and severely beaten, houses were attacked with stones, and doors were even broken open to get at the hiding women and children.

The caste Hindus later justified their actions on the ground that, if they did not react sternly, the Mahars "would sit on our heads one day". Clearly, the emergence of a few educated men among the upper stratum of the scheduled castes — *viz*, the Mahars — instead of leading to their further acceptance among the caste Hindus, can lead to greater resentment towards the new aspirations of the scheduled castes in the village.

It was Sitaram Kamble finally who lodged a complaint about the incident with the police when they appeared on the scene. He reported that he had lost Rs 600 from his house as well as his wrist watch. Sitaram Kamble complained against 93 caste Hindus. The police arrested 27 persons and filed cases against them.

The incident, and the arrest of the 27, has brought into the open the latent tension in Sonage between the scheduled castes and the caste Hindus. The Collector of Kolhapur district a scheduled caste himself, arrived on the scene and took prompt action against Londhe and other caste Hindus. The caste Hindus have retaliated by removing Sitaram Kamble from chairmanship of the milk society; his term was to end in September. Further, they have decided to use the usual economic sanctions against the scheduled castes. Thus caste Hindu grocers, carpenters, barbers and others have refused to deal with the scheduled castes of the village. The Collector has not much to offer against such social and economic boycott. Since the fair-price grain shop, run by the caste Hindus, was closed to the Mahars, he did however sanction a separate fair-price shop for the Buddhawada; the shop has started to function. The Collector has also got transferred Raghunath Shintre, chairman of the primary co-operative society who is also the primary school teacher and known to be a caste Hindu leader, to a distant village.

The legislator from the constituency to which Sonage belongs is a 'rebel' Congressman, Sadashiv Mandalik. Mandalik went to the village and held two separate meetings, one with the caste Hindus and the other with the Mahars. His intervention has proved totally ineffective. The caste Hindus demand that the cases against the 27 persons be withdrawn; only this, they say, will help reduce 'tension' in the village. Kamble and the neo-Buddhists, on the other hand, say that the hatred of the caste Hindus against them cannot be overcome so simply; fear of attack by caste Hindus and apprehension of the economic consequences persist among them — though police have been posted in the village.

Development Assistance

Unshared Prosperity

IN both 1972 and 1973 the industrially developed countries enjoyed the highest growth rates they have seen in the entire post-War period. Yet they did not show any inclination to share even a small part of their prosperity with the less fortunately placed developing countries. Total official development assistance increased by 9 per cent from $ 8.7 billion in 1972 to $ 9.4 billion in 1973, but in real terms there was actually a decline of 6 per cent, if account is taken of the 15 per cent depreciation of the value of aid due to exchange rate changes and increased domestic prices in the aid-giving countries. The United Nations, it may be recalled, had called on the developed countries through a special resolution at the beginning of the present decade to step up their development assistance to at least 0.7 per cent of their GNP. In fact, however, development assistance as a percentage of the GNP of members of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) fell steeply from 0.34 in 1972 to 0.30 in 1973, or almost by 12 per cent. What is more disquieting is that this figure has declined continually since 1965 when it was 0.44.

The so-called grant element in total development assistance had, after fluctuating between 64 per cent and 68 per cent from 1965 to 1971, risen to 72 per cent in 1972; but in 1973 it again dipped to 71 per cent. Incidentally, the concept of grant as defined by the DAC of the OECD — and unques-

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tioningly accepted by even such regional development financing bodies as the Asian Development Bank — is rather misleading. The concept takes into account the maturity, the grace period and the interest on the loans. The grant element is deemed to be equal to the difference between the face value and the discounted present value of the stream of repayments, including interest, to which the loan will give rise, expressed as a percentage of the face value. The rate of discount of 10 per cent used for such calculations by the DAC is definitely on the high side if it is supposed to reflect the cost of funds for the aid-giving governments. Since the aid-giving governments disburse the funds primarily out of their budgetary resources, the opportunity cost of these funds would be the rate of growth of national output, since had they not been used as development aid the funds could have generated almost the same growth of output at the margin as the rate of growth of national output. During the 10-year period upto 1971 the average annual growth of output in the developed countries as a whole was about 5 per cent and it was only during 1972 and 1973 that it went up to 6 per cent. Thus looking at the long-term trend of 5 per cent growth, it could be said that a discount rate of 5 per cent instead of the 10 per cent used by the DAC would be more appropriate for computing the grant element of development assistance. With a 5 per cent discount rate the grant element of development assistance would come to less than one-half of the 71 per cent computed by the DAC.

The grant element would totally disappear if one took into account the tied aspect of development assistance. It has been noted that the real worth of tied loans is at least 30-35 per cent lower than their face value due to the higher prices that the aid recipients have to pay for their tied imports. If the figures of development assistance are accordingly scaled down to reflect the real worth of the assistance and if a discount rate of 5 per cent is used, the grant element would be quite close to zero!

Harekrishna Konar

Literacy, Idealism and Combative Activism

A Correspondent writes:

THE Indian Left has been having a lean time in recent years. There are quite a number of objective factors to explain this phase of vacuity. One particular reason must be an absence of both clarity and depth in thinking through the issues currently confronting the working class movement in the country. The capital stock built in the 1930s is by now nearly exhausted, and, as one looks around, one increasingly becomes aware of the lack of men who can combine intellectual capability with experience of combative activism.

Harekrishna Konar was a rare exception, which is why his death, at a relatively early age, is such a grievous loss to the Left. In his early life, Konar had passed through the circuit of terrorism and a stint in the Andamans, which was then the standard form of initiation into the fire of Bengali radical politics. There was thus a danger of his sliding into romantic nihilism. His agrarian roots however stood him in good stead. From the late 1930s till his last days, he stuck to the cause of the lower echelons of the peasantry. Unlike many of his associates, when he spoke on the peasant question, he spoke with a certain flair for analytical rigour and a considerable feel for the historical setting. For three decades or more, he moved continuously amongst the peasantry, studied the impact of tenurial arrangements on the modalities of cultivation, observed the nuances of antagonistic as well as non-antagonistic contradictions amongst the landless labour, the small peasant and the middle peasant. It was altogether a rich fare of experience, which was placed at the disposal of the party he preferred and helped to build up.

Perhaps it is this experience which also endowed him with a deep insight into the mutual relationship between the political and the economic aspects of the struggle for land reform. He was perceptive enough to realise the bread-and-butter underpinning of a viable political coalition between the various strata of the lower and middle peasantry. These underpinnings were not always such as would optimise, in the short run, the economic interests of the down-and-out peasant cultivator. But Konar had no illusions: a broadbased political movement, howsoever circumscribed in terms of immediate objectives, was necessary to put the heat on a hostile administration. A movement of this kind, in case it succeeded in neutralising the class-biased bureaucracy and judiciary, would, he argued, more than justify itself, and the long-run pay-off could thus telescope a long series of dialectical steps.

Konar's tenure as Land Revenue Minister in the two brief spells of the United Front government in West Bengal was a remarkable milestone in the annals of the peasant movement in the country. He of course utilised his official position to impart a certain thrust to the legislative and administrative processes; what was immensely more impressive was his purposive use of the political arm of the movement to apply pressure upon these processes. His open avowal of controlled land seizure by the deprived peasantry, under the supervision of political cadres, has been condemned out of hand by the votaries of the *status quo*. For all one knows, that specific strategy, if allowed a wider opportunity to being put to practice, might yet be the only sensible alternative which could keep this country away from a bloody revolution.

Such is the stuff constituting the ironies of history. The pretensions of the Indian National Congress are fairly well exposed; its record of achievement with land reforms and in related matters is negligible, if not negative. Perhaps a certain atrophy of class biases has already set in within the party, and, regulation phrase-mongering notwithstanding, it is a prisoner of the forces which have captured its ideology. A recipe of survival might not therefore interest it any more. In case it did, it should have then considered itself fortunate to be able to offer a helping hand to individuals like Konar and actively support the programmes and policies the latter stood for. Instead, he was given the label of an ogre and systematically hounded out of his precincts.

In a different climate, men like Harekrishna Konar would have been acclaimed as nation-builders. Because of the exigency of circumstances, he remained perpetually on the periphery, a suspect in the eyes of as much the revolutionary romantics as the conventionally wise. It was a great wastage of talent, for rarely has one come across such a combination of literacy, idealism and pragmatic instinct.

Portugal

Popu'ism through the Military

IN the three months since the coup of April 25 in Portugal, the junior officers who had planned and executed it have, with studied deliberation, moved towards taking all the important decisions. The Armed Forces Movement which consists of about 200 junior officers now not only holds sway over the cabinet but also over the junta headed by General Spinola. The junta, composed mostly of generals and other high-ranking officers, had to bow to the pressures of the Armed Forces Movement and appoint its nominee, Colonel Vasco Gonsalves, as the new prime minister on July 13, replacing Palma Carlos, a conservative lawyer.

Of the 16 ministers appointed by Gonsalves to his cabinet, five are colonels and majors and one a captain, the rest being civilians. Such key ministries as labour, information, and interior are held by these officers, though the two Socialist politicians, Soares and Santos, retain their respective posts of foreign affairs and overseas territories. Alvaro Cunhal, the Communist leader, remains a minister without portfolio but his party colleague, Avelino Gonsalves, who was the Labour Minister in the last cabinet, has lost his job to a young officer. It is notable that despite Spinola's best efforts the new cabinet has a much more Left-wing complexion than the last one. The statements of the Armed Forces Movement, however, indicate that while the junior officers will take some radical measures they will not allow the Communist Party, which is the best organised party in Portugal, to have more than a marginal influence on policy decisions.

Among the radical measures announced recently is the decision to grant independence to the overseas territories. This is a clear departure from Spinola's earlier idea of granting some degree of self-rule within the framework of continued Portuguese sovereignty. Spinola agreed to this departure only under duress and it is possible that he may resign if he is asked to put his signature to some more unpalatable decisions. The decision to withdraw from Africa is a pragmatic one as the junior officers, most of whom have taken part in the counter-insurgency warfare in Africa, realise that the army must be withdrawn before it mutinies. Already, army units in Guinea-Bissau have begun to fraternise with the guerillas of the PAIGC and in Mozambique entire battalions have refused to budge from their barracks and go into the field against FRELIMO's soldiers. In Angola, the army is not so dispirited largely because of the lack of cohesion among the three guerilla groups — FLNA, MPLA and UNITA. But in Angola too, the new prime minister sees no alternative to handing over power to the Africans though it will be a much longer process than in Guinea-Bissau or Mozambique, especially as Angola has a sizeable population of whites, numbering 500,000, many of whom are poor and have nothing to go back to in Portugal. It is partly to keep these whites in control that the Governor-General of Angola, General Marques, who was sympathetic to them, was last week replaced by a group of liberal officers.

Within Portugal, the unwieldy Armed Forces Movement is likely to undergo a process of pruning with those elements who feel that the military should hand over complete power to the civilians being pushed into the background. This means that the cabinet will be reshuffled once again in the next few months to include some more junior officers. As this happens, the uninhibited freedoms the Portuguese have been enjoying for the last three months are bound to be curtailed. There have already been some moves against strident newspapers and threats of government action against labour strikes.

To maintain their radical stance the officers will probably turn towards the familiar gimmicks of symbolic socialism — nationalisation of some banks and companies, legislation of some social welfare measures, rhetoric against American interference and renegotiation of the agreement by which US military bases were set up in the Azores group of islands. There will also be moves towards closer ties with the EEC. The general pattern likely to be followed in Portugal will be that of the regime of General Velasco Alvarado in Peru. Such a pattern is at least useful in preventing the emergence of brutal regimes like those of the Greek colonels or the Chilean generals.

LETTER TO EDITOR

Cooked Up?

IT would have been only fair if before questioning the veracity of vanaspati production figures of June ("Vanaspati: Cooked Up", July 6) an attempt was made to ascertain how these figures are collected. Every vanaspati factory having capacity of more than 50 tonnes a day has to send a telegram to government every day of production on the previous day. Every week every factory has to submit a return of production, despatches and different oils consumed, to government. This Association also collects copies of these returns. It is, therefore, possible to estimate production figures fairly accurately within few days of the close of the month. Production in June declined sharply because government had withdrawn the use of imported oil from June 1 but revised prices only on June 15. Therefore, in the first half of the month the industry was expected to use indigenous oils costing about Rs 8,500 and sell vanaspati at about Rs 7,500, giving oil cost of Rs 6,300. Consequently, production declined sharply to about 3,900 tonnes in the first half of the month with most factories closed. After price increase based on 3-monthly average of the oil cost of the industry, factories did resume production to use up their stocks of oils because the loss was sharply reduced as stated by you. The production in the second half of the month was about 13,000 tonnes.

There is hardly any need for the manufacturer to conceal part of his output because there is control only on the price and not on the production or distribution of vanaspati. With exhaustion of oil stocks, output in July is again declining. Low level of output is also a clear indication of the fact that most producers cannot realise economic prices through circumvention of government regulation in the manner suggested in the note.

A C CHHATTRAPATI
Secretary,
The Vanaspati Manufacturers' Association of India,
Bombay

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

Calcutta Diary

A M

ANYTHING goes. At party conventions and in debates in Lok Sabha, even the Cabinet minister with the most impeccable record of corruption can pontificate on the evils of corruption and on how blackmarketeers ought to be socially segregated. *Blase* is the word; there is not even a hint of a derisive laughter from any quarters. Three or four years ago, the minister might have felt somewhat uncomfortable in making such speeches. No longer. There has been a levelling up—or is it levelling down?—since. For those who want to attack corrupt practices, the phase of aiming with a rifle is over; given the nature of circumstances, it is now the season for spraying with a shot gun, for there are few hands left that are clean. And, besides, after Richard Milhous Nixon, our tribe of politicians could claim to be pictures of moderation.

Be reasonable, the kind of parliamentary arrangement we are trying to run, it will be said, makes this slide into degeneracy inevitable. Freedom of speech and organisation makes it relatively easy to foment sectarian emotions, which have to be countered if the nation is to survive, and, what is more basic, if the party in power is to survive. One has therefore to organise one's defence. In the short run, there is no substitute for money to take care of this matter. It is a parliamentary process featured by adult suffrage, which means that, by hook or crook, the inert rural masses must be mobilised on your side. Unless the work is farmed out to intermediaries and agents — such as the *kulaks*—, it may be very difficult to accomplish the goal. You therefore reach an understanding with these species. There is widespread urban discontent. Provided things remain as they are, the people in towns and cities will do their utmost to hound out the party in power. For sheer survival, you therefore go for publicity binges, strong-arm methods, stealing of ballots, and so on. Each of these costs money. You have to gather the money. You can gather the money only against favours rendered or promised to be rendered. If you constitute the government, and occupy key slots in it, you cannot therefore afford not to be corrupt. You *have* to collect money, and you collect it. Whether the entire funds that you raise go to the party's coffers or a part is held back for bettering the lot of the immediate kinsmen then becomes a matter of detail. After all, in ancient Hindu kingdoms, when the services of a courtesan were quietly commissioned for enabling the consort of an impotent royalty to produce a heir, the courtesan did also derive a certain private pleasure from out of the arrangement. Till now, no molecular engineering has been heard of which could prevent the germination of joint supply of this kind.

Certain other consequences inevitably follow. Politics are reduced to the ritual of survival from this election to the next one. Ideology has little to do with survival, the garnering of money has. All branches of moral philosophy are accordingly subjected to one merit test, namely, whether one can get any change out of it. Josef Stalin enquired how many divisions the Pope commanded; in the India of today, the parallel question is how many crores of rupees is this or that preacher of ethical conduct in a position to deliver to the party coffers. A new morality is thus being evolved. And once this one digs roots, conventional notions concerning integrity — or the lack of it — are pushed to the background. Hard-boiled economic analysis takes over. A corrupt individual is no longer *per se* an undesirable individual; for judging him, you must first apply the cost-benefit criteria. The one who steals a crore for himself may be also the one who delivers twenty-five to thirty crores to the party in a single season: the person, it may be decided, instead of being sent to Coventry, deserves a seat in the Cabinet, or, if he is already there, a portfolio more to his liking.

No confidence debates in Parliament are thus robbed of their context. The opposition presents a lurid list of how much money has been taken from whom by which minister for rendering what particular favour. Naturally, it is an interminable list. As the list is read out, the air turns unsavoury; members feel listless, even impatient. One detail is as purposeless as another; why wear out your colleagues? The details are not important, the underlying hypothesis is. You are in a position to confront the hypothesis only when, at the level of grassroots, you have succeeded in joining the battle. In case the masses, in a magnificent, immense avalanche of revulsion, rise in unison to protest against the persistent debauching of parliamentary democracy, the hypothesis would be in danger of crumbling, and the punctilious cataloguing of the crimes perpetrated by the ruling politicians would then assume a sparkling relevance. As one looks around, any such possibility appears to be altogether remote and grotesque. Such being the prospect, alligator, see you later.

The unfolding events nonetheless connote a tragedy. Parliamentary democracy is a murky process; it turns murkier when a nation's heritage happens to be tainted with traces of authoritarianism. For then it becomes an issue of my-technique-of-flipping-the-coin-is-always-superior-to-yours. Even worse, since each act of corruption is a purposive act of deviation from the economic optimum, the country's material progress is placed in hock. Propitiating those who control the purse strings becomes the first principle of economic policy; the instruments in the hands of the State are deployed not for maximising the rate of capital formation, nor for ensuring price stability, nor for improving the level of managerial or any other efficiency, but simply, to further the short-term interests of the money-givers.

There is no reason to feel excessively scandalised that a democratic system gets transformed into such a narrow and bigoted spoils-sharing arrangement. This happened, and is happening, all over the world, and at all levels, beginning with the city administration. This is what Tammany Hall was about, this is what has been happening with Mayor Richard Daley's Cook country *apparitchik*, this is how the Liberal Democratic Party is exploiting its mandate in Japan, this is also how the Whigs and the Tories, in the not-so-distant nineteenth century, shared the hegemony, *via* the Enclosure legislation and all that, in Great Britain featured by the mighty Industrial Revolution. There is however just one difference — a crucial, vital one — between what happened and is happening in other lands and what is currently benumbing India. If you take away something from the full, the full nonetheless stays full, so said the sages. They knew what they were talking about. A stable society, which has already licked the problem of economic growth, can afford an occasional Teapot Dome; one dares say it can even, from time to time, afford to bear the cross of a Watergate. The outrages that are perpetrated, and the resulting diversions of public revenues, do not reach the proportions

where the nation's central urges and goals are shunted off — irretrievably, or at least indefinitely — on to wrong rails. In eighteenth and nineteenth century Great Britain, similarly, corruption only rarely rose above the level of the South Sea Bubbles or the genteel pinching of somebody's mistress or pocket borough; besides, the working class movement was still nascent, and the ruthless exploitation of the toiling masses provided ample wherewithal for satisfying the private avarice of the lords, squires and the *nouveau riche* capitalist class; accumulation for economic growth therefore continued without interruption.

This is where the Indian ship has run aground. It is a rather sombre case of only rock, and no water. Political amorality has outpaced the compulsions of economic progress. Survival necessarily has to take precedence over growth, and it has taken precedence. Further, the concept of survival has been interpreted as the survival of a few. These few have concluded that they can manage to live only by ditching airy-fairy ideology and popularising a gross, coarse arrangement, where you pays your money and takes your pleasure, cash down, and by the hour. The vast majority, who remain outside this arrangement, have of course the choice not to abide by it any time they feel like it. But they have not been much seen of late. Therefore, *kismet* being *kismet*, one cannot escape the fate of listening to the Union cabinet minister with the most impeccable record of corruption pontificating on the acute necessity of blackmarketeers not being invited to tea and crumpets.

The trouble with so much of Indian political activity is that it lives entirely on the patronage and sponsorship of political parties which by their nature are only interested in the seizure of power for a class or an alliance of classes. We lack the institutions and formations for limited but vital and critical struggles. The Gandhians, if they understood the life of the Mahatma, could comprehend this but they have also become imitators of the political parties.

This country needs to take a few judicious lessons from a society which has usually been discussed as power-manipulated. The USA, on the eve of impeaching its President, has exhibited a rare moral courage, solidly sustained despite the lobbies which obfuscate. And the Press, let our pontificating editors note, has led the struggle for a public and political morality. In India, we are content with fearless gossiping in private. Little else. Indeed, appropriately, in the style of the US President, we could use a number of four letter words to describe the moral degradation of our democratic situation.

I am aware that it is the habit of this same amoral elite to draw many comforting lessons from the apparent stability of this situation. This capacity is based on a studied refusal to take note of the dangerous seepage into the foundations of the continental democratic structure so carefully nurtured by Mahatma Gandhi during the freedom struggle and by Jawaharlal Nehru in the early years of freedom. The monumental effort of many decades is being slowly suffocated because of our repeated failure to distinguish the grain from the chaff, the wood from leaves, the truth from the falsehood.

Unless action by citizens is geared to specific, clear-cut tasks, and at several separate levels of conscious objectives, there is danger that every stirring ends in a fuddled mess because it attempts to seize the total State and splinters. The continental polity of India is too vast and varied to be tackled in this way. Freedom struggles and wars with neighbours release different chemicals. We are concerned with the mundane business of day-to-day governance. This is basic if dissent and equality are to live side by side.

We have seen the propulsions of Indira Gandhi's 'Garibi Hatao'. We have yet to master the motivations behind the "partyless democracy" pro-

CAPITAL VIEW

An Amoral Political Elite

Romesh Thapar

CONVERSATIONS in the Capital these days are thick with references to an amoral political elite, cynical in its pursuit of black money and brutal in exploiting its privileged position against the obvious interests of the country and its people. The sharpness of the attack, and the fact that it embraces everyone, including Indira Gandhi, is not due to the 'fascistic' conspiracies of Jayaprakash Narayan, but directly to the 'squeeze' on honest-to-goodness citizens.

It is doubtful whether the Prime Minister has even given thought to the political and social consequences of a policy which calls upon the people for sacrifices of all description but leaves the kings of the parallel black money economy free to operate. Apart from the anger that develops against a thoroughly corrupt political elite, wide sections of honest people are persuaded to taste the benefits of the parallel economy by joining the scramble for hot money.

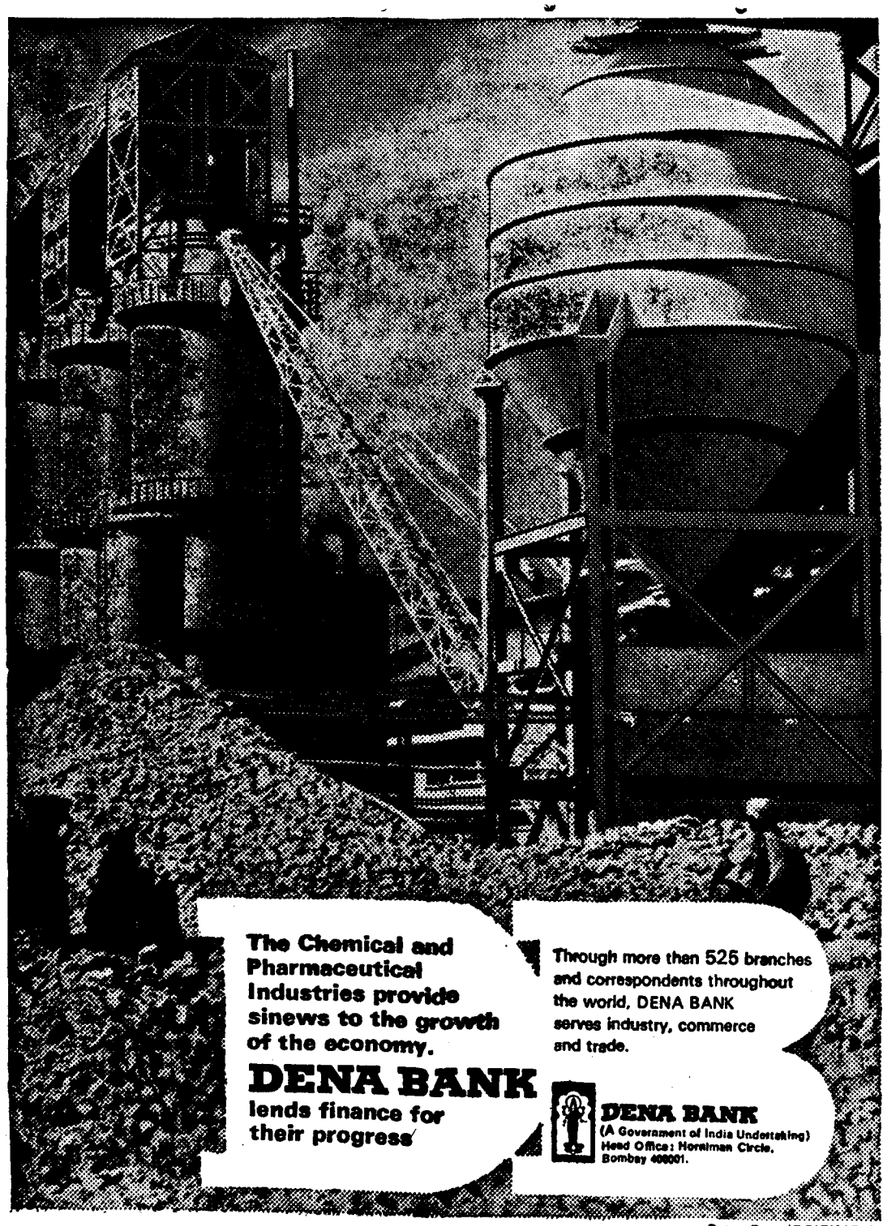
Government's promise to break the back of the parallel economy is not being honoured despite the valiant attempts of AIR to depict a situation where the possessors of black money and undeclared wealth are trembling in their rubber sandals. The raids are directed against minor offenders, and often suggest a marked political flavouring. The real king-pins, whose names are no secret, pursue their activities unhindered. Indeed, the ruling Congress Party is usually not ashamed to parade them as friends and allies.

Ask the enforcement agencies why action on a more co-ordinated and drastic scale is not being taken against the men and organisations who are condemning India to a permanent state of shortage and famine, the answer is an indulgent smile which suggests that the questioner is naive and unaware of the *realpolitik* of present-day Indian economics. The impression is now deeply etched that the enforcement agencies have become instruments of the power hierarchy.

Naturally, in this atmosphere of deep suspicions, where no one of consequence appears to measure up to any standard of public accountability, the despair is total and millions turn to movements sparked by JP and his collaborators hoping that even a tenuous unity at the mass level will frighten the corrupt politicians who now sit astride a tragic land. This hope, too, will dissolve rapidly unless specific perspectives for clean, humane government are set and fought for without mixing extraneous issues on which the movements are disparate and confused.

pounded by Jayaprakash Narayan. We are asked to respond to these immediately impossible populist themes. Others will follow with equally theoretical invocations. Where are those who think of the foreseeable present and future? Admittedly, the creative age of Gandhi and Lenin and Mao has passed. We are only the begetters of Nixons and Kissingers — and their imitators, believe it or not. Maybe, the challenges of today call for collectives of leadership, and these are taking long in crystallising. Maybe . . .

July 29



Price Increase to the Rescue

Hansavivek

TATA IRON AND STEEL COMPANY has received Nippon Steel's report on expansion of capacity. The proposal is for construction of new capacity for producing three million tonnes of steel to be rolled into about 2.5 million tonnes of flat products. This would be 50 per cent larger than the originally contemplated expansion and would bring TISCO's capacity to about 5 million tonnes, or 2.5 times the present capacity. The cost, including that of development of ore mines and collieries, power generating capacity and a large raw-material bedding and blending yard at Jamshedpur, is estimated at Rs 1,800 crores. The project, which will take some four years to complete, is far too big for the company to tackle alone and it is felt that government and institutional finance would have to bear the major part, if not the whole, of the burden. Meanwhile, TISCO is concentrating its efforts on maintaining the present works at the highest possible level of efficiency. Steps are being taken to strengthen the engineering organisation, including its design capabilities, and to add to its ability to manufacture scarce replacement items of plant and equipment.

The new pricing policy of government and the resultant accretions to the modernisation and development fund will make possible a higher tempo of expenditure on renovation. A 5-year capital expenditure programme, estimated to cost Rs 180 crores, has been taken up. A substantial part of it will be spent on coal mines to achieve self-sufficiency in high-grade coking coal. The programme of phased replacement and rebuilding of old coke oven batteries suffered a setback last year as a result of delays in the receipt of refractories. Battery number three, which had earlier been expected to be back in operation by mid-1974, will now be commissioned by mid-1975. The new 54-oven battery, commissioned in March 1973, as well as the first batch of Sijua 'beehive' coke ovens, have been operating to capacity. The second batch of 'beehive' ovens were completed and commissioned by the end of the year.

TISCO also proposes to make additional investment in the capital of Tinplate Company of India, one-third of whose paid-up capital of Rs 125 lakhs is already held by it. TCI has on hand a project for manufacture of electrolytic tinplate and tin-free steel, estimated to cost Rs 18 crores, which is intended to be financed partly by long-term loans from financial institutions, partly by a public issue of capital of Rs 375 lakhs and partly from internal resources. TCI has paid dividends of

The Week's Companies (Rs in Lakhs)

	TISCO		Mafatlal Ind		English Electric		Indian Dyestuff	
	Latest Year 31-3-74	Last Year 31-3-73	Latest Year 31-3-74	Last Year* 31-3-73	Latest Year 31-3-74	Last Year 31-3-73	Latest Year 31-3-74	Last Year 31-3-73
Paid-up capital	5000	5000	379	508	225	225	337	337
Reserves	6315	5846	1060	945	252	217	369	305
Borrowings	4949	4803	1012	985	—	—	715	645
of which Term Borrowings	2740	2261	344	381	—	—	247	246
Gross fixed assets	34618	32974	1836	1750	273	253	1546	1458
Net fixed assets	12131	11836	806	872	116	110	807	798
Investments	1217	1224	616	700	1	1	—	—
Current liabilities	7862	6030	778	641	312	210	484	360
Current assets	10777	8619	1785	1492	672	541	1088	842
Stocks	6736	5241	1016	751	368	212	559	446
Book debts	3554	2965	695	715	277	224	501	391
Net sales	14560	15353	3068	3233	951	852	1623	1385
Other income	1101	1066	202	186	48	25	60	90
Raw material costs	3535	4051	1222	1497	361	323	763	648
Wages	4287	3759	644	678	256	207	165	137
Interest	441	414	84	119	—	—	88	82
Gross profit (+)/loss(—)	3085	2303	467	278	227	210	280	244
Depreciation provision	1663	1751	107	134	15	13	86	96
Tax provision	445	—	167	50	137	130	87	77
Net profit (+)/loss(—)	977	552	193	94	75	67	107	71
Development rebate provision	395	430	10	13	4	2	12	8
Transfer to reserves	255	—404	107	7	26	25	44	12
Dividend								
Amount	P 84 E 244	84 442	P — E 76	2 72	E 45	40	P 3 E 48	3 48
Rate (per cent)	P9&7.5 E 6.33	9&7.5 11.47	P — E 20	— 22	E 20	18	P8.58 E 16	8.58 16
Cover (times)	1.05	0.09	2.41	1.10	1.58	1.62	1.92	1.25
Ratios (per cent)								
Gross profit/sales	21.12	15.00	15.22	8.60	27.87	24.65	17.25	17.62
Net profit/capital employed	6.07	3.53	7.87	3.85	15.72	15.16	7.57	5.52
Inventories/sales	46.26	34.14	33.11	23.23	38.69	24.88	34.44	32.20
Wages/sales	29.44	24.28	20.99	20.97	26.92	24.18	10.16	9.89

* 15 months

17.5 per cent for 1970, 1971 and 1972. However, the financial institutions which are financing the expansion project have stipulated that the company should not declare any dividends until the new unit goes into commercial production.

During 1973-74, TISCO experienced "unprecedented" shortages of coking coal and electric power almost throughout the year. Production of saleable steel slumped from 1.46 million tonnes to 1.2 million tonnes, the lowest since the completion of the last major expansion programme in 1959. Output of steel ingots was down from 1.69 million tonnes to 1.51 million tonnes, of iron from 1.68 million tonnes to 1.44 million tonnes and of coke from 1.26 million tonnes to 1.14 million tonnes. Dislocations in rail movements and shortage of wagons affected despatches of finished steel. Despatches of steel were lower than in the previous year by as much as 315,000 tonnes, although fall in production was only about 258,000 tonnes. If, despite a sharp fall in production and despatches, the company's profits were considerably higher than in the previous year it was due to the two increases in prices of steel allowed by government. From mid-September 1973, a uniform increase of Rs 75 per tonne in prices of all categories of steel was allowed. This was followed by a further increase in mid-October 1973 in prices of certain categories of steel, excluding plates, structurals and railway materials, which, on TISCO's product-mix, amounted to an average increase of Rs 245 per tonne. Amongst the conditions laid down by government while sanctioning the latter increase were that (1) no part of the additional profit resulting from such increase would be utilised for paying dividends or issuing bonus shares; (2) for three years, the company would not increase dividend on equity shares beyond the 11.5 per cent paid during the last few years; and (3) the entire excess of the selling prices over the retention prices, still to be announced by government, would be deposited, after deducting the tax payable thereon, into a separate fund administered by SAIL. Such deposits could be withdrawn by the company only for expenditure on approved schemes of modernisation and development. Accordingly, the board maintained dividend, but this had to be revised to 6.33 per cent to fall in line with the provisions of the ordinance restricting distribution of dividends.

MAFATLAL INDUSTRIES, formerly New Shorrock Spinning and Manufacturing, has vastly changed its complexion following amalgamation with it of Mafatlal Gagalbhai from April 1972. It has come to own investments of substantial value by virtue of the amalgamation. As at the end of March last, cost or book value of aggregate of quoted investments amounted to Rs 4.44 crores and their market value was in the neighbourhood of Rs 28.20 crores. Besides, unquoted investments were of the order of Rs 81 lakhs. The company has sold its jute undertaking known as Gagalbhai Jute Mills located in West Bengal to New Gujarat Cotton Mills of Calcutta for Rs 140 lakhs. A sum of Rs 40 lakhs has been already received, and the balance of Rs 100 lakhs is to be received in three years with interest at 11 per cent per annum through a bank. Steps are also being taken to amalgamate the wholly-owned subsidiary, Sahyadri Dyestuffs and Chemicals. The accounts given in the table are not strictly comparable, since the latest set of figures relate to a 12-month period while the earlier figures pertain to 15 months. The working of the jute division was adversely affected by power crisis, labour dispute and inflationary pressures. The textile division's working was also upset in the last quarter on account of power shortage. Even so, the financial results turned out to be impressive, with gross profit two-thirds better despite a 5 per cent shortfall in net sales. The board has recommended a dividend of 20 per cent, which will have to be lowered in accordance with the restrictions imposed by the government on payment of dividends. The company's earlier application for issue of bonus shares in the ratio 1:4 was turned down on technical grounds. The directors have now proposed to issue these shares on a one-for-two basis. The company last year spent Rs 60 lakhs on additions and replacements in the textile division and Rs 33 lakhs in the jute division. Orders for plant, machinery and equipment for the textile division worth about Rs 10 lakhs were placed after the close of the year. Exports of textile products amounted to Rs 240 lakhs and of jute products Rs 140 lakhs against Rs 138 lakhs and Rs 123 lakhs, respectively, in the preceding year. The directors say that the doubling of the quantum of controlled cloth production, rising costs, wage hike and load-shedding during peak hours together make the outlook as "almost unpredictable".

ENGLISH ELECTRIC COMPANY OF INDIA has secured industrial licences to effect expansion of manufacture of low tension cartridge fuses, fuse switch units and various types of relays and control panels and also 'letters of intent' for production of distance protection and automatic semaphore indicator relays and control panel accessories. The company also expects to receive shortly industrial licences for certain specialised products for which there is demand in the country. When the licences applied for have been granted, there will be a better utilisation of the company's funds. Not only has the company not borrowed any money from banks, but it has placed its surplus funds as short term deposits. Interest from deposits last year brought in over Rs 10 lakhs of revenue. The 18-year-old company, two-thirds of whose capital is owned by the parent UK company, says its export earnings showed a further improvement last year. Total earnings in foreign exchange, however, were less than Rs 11 lakhs, including about Rs 2 lakhs by way of commission. On the other hand, value of imports amounted to about Rs 45 lakhs, provision in respect of royalty in foreign exchange was of the order of Rs 7 lakhs, and net dividend remitted to the parent company for 1972-73 was Rs 20 lakhs. During 1973-74, the company produced good results with higher sales and margins despite "the heavy burden of cost increases which the electrical industry had to bear". Dividend has been stepped up from 18 per cent to 20 per cent, but this will have to be reduced in line with the provisions of the ordinance restricting payment of dividends.

INDIAN DYESTUFF INDUSTRIES has received a 'letter of intent' to expand capacity for production of vat dyestuffs from 625 tonnes to 825 tonnes per annum and another for manufacture of pigments with an annual capacity of 500 tonnes. Last year the company had to contend with the problem of procurement of strategic raw materials, import of which, even where permissible, became difficult with the cut-back in world production due to the oil crisis in the Western world and increase in awareness of the problem of maintaining the ecological balance. Even so, IDI's results have been good with higher sales and profits although trading margins were slightly lowered owing to higher prices of raw materials and overall increase in operating costs. The directors have repeated a 16 per cent distribution on equity, a part of which is expected to be exempt from tax, but this will have to be revised downwards in pursuance of the Ordinance restricting payment of dividends. A remarkable feature of the company's performance has been a 21 per cent expansion in exports to Rs 193 lakhs, a peak in its 20-year career.

BOMBAY'S SHANTY-TOWNS

Come the Fire...

HALF of Bombay city was in knee-deep water on July 5. Rail and road transport came to an abrupt halt. Indeed, railways took nearly a month to recover from the worst-ever multiple paralysis in their history.

There were stories of how-I-spent-nine-hours-sitting-in-my-car and when-Dev - Anand - had - to - push - his - own-car. And more stories of how-this-and-that - welfare - organisation - helped - those-marooned-in-cars-and-buses - with-tea-and-biscuits, and the like.

But, with what they call 'self-protective' callousness, Bombay's middle-class was none too concerned about what happened to the city's two million slum-dewellers. For these, the deluge meant death, disease, misery, hunger, dirt and loss of their few belongings. This is what nearly one-third of Bombay's population lives through, every monsoon. The country may pray for timely and bountiful rains, but for Bombay's hutment-dwellers, the monsoon intensifies an already precarious struggle for existence. The monsoon to them is three months of wet clothes, leaking roofs, and damp muddy floor. It means nights spent crouching, or often standing in waist-deep water, clutching babies and rags in a bid to keep them dry. It means even more flies and diseases.

In Bombay, this metropolis of small islands of luxury amidst a sea of sprawling slums, one-third of the population lives in 250,000 huts grouped together in 560 make-shift slums. These are the official figures. There are many more 'unaccounted' slums and hundreds and thousands of huts which dread catching the authorities' eye. And, each day, hundreds of new huts sprout in different localities, as if from nowhere, but put together ingeniously with material sifted from the city's garbage-heaps.

Visit any open space (if there are any left) in the suburbs, and you will find people frantically erecting new huts. By now, Bombay might well have surpassed Calcutta in the number of shanty towns. The state government and the municipal corporation at one time had a grandiose 'slum-clearance' scheme for building single-room tenements for slum-dwellers. But démolition of slums is not easy. After all, slums reflect not only the lack of better housing but the entire economic condition of the slum-dwellers and unless this condition is improved schemes which seek to physically transplant the slum-dweller from the slum to a brick-and-mortar tenement are unlikely to succeed. That apart, there are strong political pressures against slum clearance. The votes of slum-dwellers can be easily controlled, most often through the 'dadas' of the slum who act as agents between those living in the slums, the politicians, and the executive authorities. Consequently, Bombay has rarely seen a slum demolished in recent times.

There thus followed the 'slum improvement' scheme, which promised instead to provide basic amenities such as water, drainage, streets and lighting to the existing slums. Since 1972-73, nearly Rs 2 crores are supposed to have been spent on improving the city's slums. But the slums show no improvement, for all the money that has been spent. In fact, with each monsoon, their condition has actually deteriorated.

A pre-deluge study of Dharavi, probably one of the largest slum-complexes in the world, is revealing. Here, in the heart of Greater Bombay, nearly 300,000 people live in 70,000 to 80,000 huts, in conditions so obnoxious that the chasm that divides humans in this country *via* their utterly different levels of living hits you in the face. The slum has sprung up over the last 15 years in 600 to 700 acres around Dharavi, a one-time fishing village. Social workers have claimed that a new hut appears in Dharavi almost every hour of the day and night. The stinking slum-town is now bursting at the seams.

The Bombay Municipal Corporation is reported to have spent nearly Rs 35 lakhs on improving Dharavi over the last two years. Nine localities in the area, with a population of 150,000, were selected as beneficiaries of the schemes. According to the records, 144 public taps have been provided, nearly 225 public toilets constructed, 10,000 metres of sewage gutters laid, and 17,000 metres of streets completed.

But the taps are not visible. Most of the public water taps have been removed, damaged or are unworkable. The water stands are filthy. When the taps do work, a thin stream can run for an hour or two, but that is all. However, private taps abound in the vicinity, and these have eight to ten hours of water supply with adequate pressure. The contrasting fates of the public and private taps may well be related: the private tap-owners do booming business, selling water at 20 paise a bucket. A public toilet in Dharavi most times has no water or sewage connections. The toilets stink from a hundred metres away. Those which do not stink, are really illicit liquor distilleries — and predictably, toilets so used are well-connected with water tanks. Most of the 'roads', recorded on paper as having been completed, have turned into open gutters. Indeed, it takes investigative skills of a high order to locate any of the 'roads' constructed under the municipal scheme. The gutters, in their turn, are half constructed; the construction is unscientific and with inferior material, and even a brief downpour sends water and human excreta from the gutters gushing into the adjoining huts.

This was Dharavi before the latest deluge. And Dharavi is a low-lying area. Two or three times in every monsoon flood waters inundate the slum-town. This year, half the huts were in knee-deep water for three days on end from July 5.

To understand why the people in the slums cannot have hopes of official help for better houses, one has only to look at the record of the Maharashtra Housing Board which had been entrusted with the task of providing cheap houses on hire-purchase and instalment basis to the slum-dwellers. The Board has now almost abandoned the scheme, and has brazenly gotten itself busy constructing large, well-appointed flats and selling them on an outright basis. Anyone wanting to buy a Housing Board tenement has to pay over Rs 35,000 cash down. Social housing was abandoned for the perennial reason that under hire-purchase schemes it takes many years for the Housing Board to recover its investment, whereas the Board wants money here and now — to build bigger and costlier houses which it can proudly flaunt.

In the circumstances, slums are here

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REQUIRE

TWO ASSISTANT MANAGERS

ASSISTANT MANAGER, TAX

Should be an Income Tax specialist with a qualification in law or chartered accountancy. Will be based in Calcutta.

ASSISTANT MANAGER, INDUSTRIAL RELATIONS

Should possess a law degree and have specialised knowledge of the practices and procedures of industrial relations in India. The assignment will initially be based in Calcutta.

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to stay — and will multiply as the city continues to act like a magnet to job-seekers from all over the country. As more and more people flock here, and as investments and jobs fail to grow commensurately, there will be even less hope of any improvement in the sub-human conditions in the shanties.

MONETARY POLICY

Too Little, Too Late

(From a Special Correspondent)

IT has become the established pattern for the Reserve Bank to be pushed into reacting to economic events and trends — and then, too, reacting inadequately. The credit policy measures which the Bank announced towards the end of last month fit into this pattern. The measures, stiff though they may seem in the Reserve Bank's own terms, may have had some effect had they come, say, a year and a half ago; but as it happens the Reserve Bank has been once again outpaced by trends in prices and demand for bank credit. One of the ironical consequences of this is the opportunity it provides to those who have a vested interest in cheap money policies to argue that raising interest rates and making credit dearer can have little impact on the price situation.

The Reserve Bank's approach to the question of interest rates in the economy has been based on the conventional premise that high interest rates discourage investment. As a result, the role of interest rate policy as an adjunct to credit rationing and qualitative controls on credit dispensation, its role in more rational application of short-term and long-term capital, and its role in channelling savings into the organised financial system, over which alone the monetary authority can hope to exercise some control, have all been neglected. For their part, low interest rate policies have wrought serious distortions.

First, there has occurred a disproportionate growth in reliance on bank funds. According to the Reserve Bank's studies of the finances of the private corporate sector, short-term bank borrowings accounted for 20 per cent of inventories in 1950, 34 per cent in 1955-56, 48 per cent in 1960-61 and 59 per cent in 1970-71. This vast expansion of bank credit has undoubtedly augmented financial liquidity outside the banking system and, as a result, rendered the Reserve Bank's occasional mild credit curbs and small increases in interest rates relatively ineffective.

Second, the commitment to keep the cost of credit low to borrowers has compelled the monetary authorities to keep interest rates on bank deposits low. As a result, bank deposits, even after the minor increases in interest rates that have been allowed from time to time, have hardly been a competitive medium for savings. There has been, therefore, a large diversion of funds from the banking system into company deposits, etc, over which the monetary authority has little or no control. Here it is immaterial whether the level of interest rates has any influence on aggregate savings. What is relevant is whether it influences the forms in which savings are held. And there is considerable evidence to show that it does. The Banking Commission, for instance, found that the demand for time deposits showed a high elasticity with respect to interest rates.

Third, easy availability of loan capital has placed equity capital at a discount and companies have had little incentive to widen their equity base. Low interest rates have also kept the yield rates on equity low. Low dividend rates on narrow capital bases have enabled well established companies to build up large internal resources and this has played no small part in the growth of concentration of economic power in the hands of the large business houses. If loan capital were made relatively costly, company managements would have to widen their equity base and show better working results so as to be able to pay satisfactory dividends. An incidental result of company managements' preference for borrowed capital over equity capital has been that institutions such as the Unit Trust of India — which are exempted from the control on deposit interest rates — have opted for direct lending rather than investment in equity capital! The chairman of the UTI was reassuring unitholders the other day that the UTI would be able to ride out the effects of the restrictions imposed by the government on dividend distribution by companies through its interest earnings on loans and deposits.

These wider and longer-term considerations apart, the developments of the last two years have clearly called for more stringent measures from the Reserve Bank than have been actually forthcoming. Despite the low growth of industrial output, the relative scarcity of most industrial raw materials and the restrictions imposed on the level of industrial activity by the severe shortage of power, there has ocurred a sharp expansion of bank credit during this period. This has also been a period of very large deficit spending by the government which has injected vast additional liquidity into the economy. In the context of the trends in physical output, this should have called for tight control on bank credit to the commercial sector, both through raising the cost of credit and use of quantitative restrictions. The very sharp increase in liquidity in the economy, the result of simultaneous budgetary deficits and expansion of commercial bank credit, encouraged speculative inventory-building all-round and accentuated the pressure on prices caused by shortfalls in output. Every rise in prices, in turn, caused, in the face of the passiveness of the monetary authorities, further monetary expansion. Inflation and monetary expansion soon became parts of a vicious circle and after a while the Reserve Bank was actually referring to the rise in prices to *justify* its failure to control credit expansion.

The criticism that the latest monetary policy measures have come too late has to be judged against this background. Seen by themselves, the measures are the strongest so far taken by the Reserve Bank. The Bank rate has been raised from 7 per cent to 9 per cent; the banks' minimum lending rate has been stepped up from 11 per cent to 12.5 per cent; the minimum rate on advances against selective credit control commodities has been raised from 13 per cent to 15 per cent and from 12 per cent to 14 per cent, as the case may be; the minimum rate of discount on bill finance for drawers' bills has been increased from 9.5 per cent to 11 per cent and that on drawees' bills from 11 per cent to 12.5 per cent; the maximum rate of interest on export credit has been raised from 9 per cent to 10.5 per cent; and, finally, the interest on food procurement credit has been stepped up from 9 to 11 per cent in respect of advances to the Food Corporation of India and from 9 to 12 per cent in respect of advances to state governments and their agencies. Interest rates on fixed deposits of 91 days and longer maturity have also been raised, the maximum rate, on deposits for 5 years and longer, going up from 8 per cent to 10 per cent.

Criticism of monetary and credit policies as inadequate or as coming too late is certainly not to suggest that the

current inflation is primarily a monetary phenomenon. The principal causes of the inflation are the failure of the government to procure and distribute a minimum quantum of foodgrains through the public distribution system; speculative holding of commodities, mainly with 'black' money; financial mismanagement by the public and private sectors alike giving rise to vast current (consumption) expenditure and consequently low real savings and investment, particularly in the public sector; and the low investment, in turn, resulting in a series of shortages of key industrial commodities as well as of power and transport.

Such being the basic causes of the inflation, to give maximum effectiveness to the recent interest rates increases, the Reserve Bank has to undertake a series of supporting measures. These measures have a rationale extending beyond the immediate objectives of controlling inflation. Most important of all, the Reserve Bank cannot evade any longer the vital task of framing a comprehensive credit plan, prescribing credit limits by sectors, industries and banks. This would necessarily involve a careful scrutiny of the borrowing limits already enjoyed by large parties. In dealing with large borrowers, as has been repeatedly emphasised in these columns, it is necessary to take groups of related companies or industrial houses as the relevant units for assessment of permissible credit limits. Since inter-unit transfer of funds are frequent and easy, unless total bank funds available to an industrial house are restricted, stockpiling of commodities with bank funds cannot be stopped. The Reserve Bank will have to operate an effective differential interest rates system, depending upon, for instance, the purpose of the loans, the industry concerned, the size of the borrower or the borrowing group, etc. The Reserve Bank will also have to bring about some basic changes in the different systems of commercial bank lending. The archaic system of cash credit, for instance, deserves a long hard look. Finally, the effectiveness of any rise in the lending rates of banks will continue to be undermined so long as private sector companies are allowed to accept deposits from the public. Following last month's increase in the banks' lending rates, many well established companies have put up their interest rates on public deposits so as to attract larger amounts of such deposits. The growing importance of public deposits is evident from the Reserve Bank's company finance studies. While separate data are not available for public deposits, borrowings other than institutional borrowings increased from about 24 per cent in 1965-66 to 32 per cent in 1972-73 for large and medium public limited companies. For the Reserve Bank's sample of 350 large companies, the amount of such 'other' borrowings was Rs 495 crores or 27.3 per cent in 1970-71; but by 1972-73 it had increased to Rs 630 crores or 32.1 per cent. It is necessary, therefore, that the Reserve Bank tighten controls on acceptance of deposits by companies by completely prohibiting acceptance of short-term deposits and restricting other deposits to, say, 5 per cent of the companies' net worth as against 25 per cent at present.

The measures outlined above will have to be accompanied by some basic changes in the system of financing of industrial projects in the private corporate sector. First, the prime interest rates on long-term capital need to be raised sharply to around 15 per cent against the present 9 to 9.5 per cent. Interest cost in total production costs is today so small — 2 to 4 per cent for the major industries — that industrialists have no incentive to save on capital. Second, the term-financing institutions and banks together today provide over 66 per cent of the total cost of industrial projects. The term-lending institutions should be required to restrict their lending to 20 to 25 per cent of the cost of a new project. This will compel companies to attract more equity capital with altogether beneficial effects on the efficiency of their operations.

NEW DELHI

Hands Up, without Fight

B M

THE much advertised anti-inflationary drive of the government may be said to have already petered out. The supplementary budget, presented on Wednesday by the Finance Minister, Y B Chavan, was a tacit admission to that effect. The most striking feature of his speech presenting the supplementary budget was its defensive tone and meagre content. Chavan repeatedly conceded that all the measures taken so far had had little effect on the upward march of prices. Even the budgetary exercise was only a pedestrian revenue-raising effort devoid of economic thrust.

Chavan went so far as to declare that the government had very 'narrow options'; indeed, these are limited by the narrow frame the government has allowed itself for its fiscal and monetary policy. But, within that frame too, the supplementary budget was a disappointment all round. The apprehensions as well as the expectations entertained by diverse sections of society about the budget's likely scope and content turned out to have been altogether misplaced. The only beneficiaries of the advance notice of a second finance bill were thus those who had played upon these fears and expectations to bid up sales and prices — mostly of luxury goods that were expected to be taxed. It passes comprehension why the government gave a clear seven days' notice of its intention in this instance when it uses its ordinance-making powers with such effective suddenness for measures which have no direct relation to the markets.

In any case, no luxury commodity has been subjected to additional tax. Nor is there any increase in the direct taxes on incomes and wealth. All the additional taxes are indirect — and mainly on industrial raw materials. This is bound to push up prices all round *via* the increases in raw material costs — whether these be of items of mass consumption, or items for use in the so-called core sector under the Plan, or items of luxury consumption. In the final analysis, a good part of the incidence of these increases will fall on planned investment in the public sector. Before announcing his tax proposals, Chavan had made familiar noises about how his proposals were designed to discourage conspicuous consumption and would mop up windfall gains (presumably also undeclared and untaxed profits) of producers and middlemen in certain sensitive commodities. But there is no traceable connection between his objectives and the actual proposals.

The additional tax effort in fact only amounts to an attempt to bridge the gap between the revenues and the expenditures of the government. The Union Government deficits are known to have increased way beyond the estimates made at the time of the main budget presented barely five months ago. However, according to Chavan's own admission, even that gap will not be bridged significantly, and yet other measures — by way of cutting of expenditures — will be necessary. It has been already forcefully argued in Finance Ministry circles that, as the scope for economies in non-Plan expenditures is non-existent, the cut will have to be mainly in the Plan expenditures. The definition of the 'core sector' has accordingly been made narrower than before : it is now to consist of only power and fertilisers.

A glaring absence in Chavan's strategy for containing the inflation is any mention of the public distribution system. That option having been left to disintegrate by the wayside, the residual options left for the government to control inflation must be seen to be very limited indeed. While the Finance Minister talked of sustained increases in agricultural production as the only way to remove the imbalances in the economy, his speech did not indicate that the government was in any way relying on its ability to bring about the desired increases in production.

It is clear that the nation's policy-makers have reached the end of their tether, in terms of political capabilities and ideas. Once the ineffectiveness of the so-called 'drastic' measures to arrest inflation becomes clear, the leadership might well find that, in having made life impossible for the majority of its electorate, its political options too are limited and it can no longer revert to helpless drifting as before. And then, it might start to think of the promulgation of other types of ordinances — for which it has developed capabilities of late.

BIHAR

Misleading Quiet

Arvind Narayan Das

TO an outsider who comes to Patna hoping to see the storming of the Bastille, the city presents a tranquil face today. Only an occasional pathetic wail scrawled on a temple wall — *'he bhagwan, vidhan sabha bhang karaa de!'* ("O God, get the Legislative Assembly dissolved!") — is a reminder of Jayaprakash Narayan's much-publicised "mass upsurge". Yet the traveller would be wrong to conclude that the agitation has ended.

The feverish activity of March and April has ended. There are no more hunger-strike camps, hardly any torchlight processions, very few demonstrations. Even the small number of students offering dharna outside the Assembly have disappeared. By and large, people seem to have realised the uselessness of the demand for dissolution of the Assembly. But they have at the same time realised the uselessness of the Assembly itself. Similarly, the demand for the reform of the educational system has been forgotten and the debate has moved on to whether the present educational system, reformed or otherwise, can at all be continued. During the last few months, when JP was hogging the headlines, the anti-hoarding aspect of the agitation had receded into the background. Today as JP is commuting between Allahabad and Calcutta, the militant students are hitting the hoarders and the government where it hurts — in the godowns.

It was, ironically, not JP but the CPI which fathered the Bihar agitation. Under pressure from disgruntled workers in its trade union bases, the CPI leadership had been forced to call a 'Bihar bandh' on January 21. The bandh was supported by all Opposition parties and was a complete success. It released the pent-up frustrations of the people as a result of the galloping prices, rising unemployment and rampant corruption.

The bandh was followed by a month of hectic consultations amongst the various groups taking part in the movement. Joint Action Committees were set up and meetings were held. At this point, polarisation of sorts started. The politically inexperienced students, who were influenced more by labels than the real character of organisations, started dividing between 'Leftists' and 'Rightists'. When a convention of all the student organisations in Bihar was held in the last week of February, the CPI(M) students' wing, SFI, and Marxist-Leninist students belonging to the Bihar Student Association (BSA), walked out of the meeting and formed a separate front. This Left-wing students' organisation called itself the Chhatra Naujawan Sangharsha Morcha with a long-term programme of struggle, starting from March 16. The rest formed the Chhatra Sangharsha Samiti, which started its agitation from March 18. Its leadership was subsequently taken over by Jayaprakash Narayan.

The second phase of the agitation thus started from the middle of March. The character of the agitation was different in different areas. In those areas where the politically more mature youth was in the lead, from the very beginning the agitation was militant and attacked hoarders, blackmarketeers and corrupt officials. On March 16 there took place a ding-dong battle, lasting several hours, between students and peasant youth and the armed police in Bettiah. Several people were killed and injured in the clash. But news about this struggle was virtually suppressed, possibly because the peasantry in the area is known for its communist, though non-CPI, sympathies.

News about the Bihar agitation started to fill the front pages of newspapers only from the morning of March 19. The previous day, almost the entire armed force available to the state government had been pressed into service to 'protect' the Assembly, the Secretariat and the Raj Bhawan against a relatively small procession of students led by the Chhatra Sangharsha Samiti. The rest of Patna was left unpoliced against loot and arson by anti-social elements. The police themselves let loose a reign of terror against the Chhatra Sangharsha Samiti demonstrators. Many persons were killed and injured in police firing. Curfew was clamped on the city. In Gaya, the CRP, the BSF and other paramilitary personnel entered houses and brutally attacked innocent citizens. This sparked resistance against the government. The agitation spread to different parts of the state. JP entered the scene at this point.

The Sarvodaya leader, whose anger knew no bounds when a few landlords were allegedly killed by 'Naxalites' in Musahari, asked the people to tie saffron cloth over their mouths and take out a silent procession when scores of young men had been shot or bayoneted to death by the police. But the people were desperate and disgusted with corrupt and power-hungry politicians, both Congress and Opposition. They, therefore, found in JP a plausible messiah. There followed extensive propaganda campaigns, through relay hunger-strike camps, torchlight processions, fair-price vegetable shops run by students, and street-corner meetings. Poets recited poems, artists exhibited paintings and lecturers took open-air classes. The theme was the same: "This corrupt government, which is unable to check prices, hoarding and profiteering, and which cannot provide employment to the youth, has unleashed brutal repression on the people. This government must go!" The remarkable fact was

that all of JP's programmes were programmes of propaganda; there was no programme of agitation. After a few weeks, when the memory of the bloodshed began to fade, the movement began to lose momentum. At this point, JP left Bihar for medical treatment, leaving behind a set of apostles to 'guide' the movement.

The railway strike gave the movement a new dimension. Up to then, the agitators had been mainly middle-class students and youth, largely convinced that they would be able to carry on the movement on their own steam. The railway strike made some of them ask questions such as "who are our permanent allies?" Some of them also started getting disillusioned with the wishy-washiness of the leadership. For instance, when the Patna Town Student's Action Committee gave a call for 'Patna bandh' in support of the 21 lakh striking railway workers, it was opposed by the top leaders of the agitation. Yet the bandh was a success not only in Patna, but in Bhagalpur and other towns. In fact, around this time the students and youth in towns other than Patna started acquiring a militancy and sense of direction largely lacking in the capital. The railway strike made large numbers of students look outside their own movement for potential allies, perhaps even leaders.

By now the CPI had emerged as the strongest defender of the Ghafoor government. After some initial confusion in its ranks, the determination of its national and international leadership to support the Congress government at any cost prevailed. The party's line then became one of militant constitutionalism: "*vidhan sabha agar bhang hogi, to khoon bahega sarkon pe!*" ("blood will flow in the streets if the Legislative Assembly is dissolved!"). The Socialist Party and the CPI(M) have acquired a reputation in Bihar as parties which split at least once a year. So, in spite of the militancy of their cadres and the fact that their own youth organisations were operating actively within the joint youth front, the Chhatra Yuva Sangharsha Samiti, they were not able to give direction to the movement. The large number of factions among the elements to the Left of CPI(M) — popularly known collectively as 'Naxalites' — and the supercilious attitude of some of them towards mass movements, also stood in the way of the politicisation of the activists in the student movement. This is not to deny that some of the 'Naxalites' have intervened in the movement, but only to point out that their intervention could have been much more effective.

If the Left was not able to put its best foot forward, neither was the Right. The refusal of large numbers of Congress(O) and Jan Sangh legislators to resign from the Assembly and their barely-concealed links with big businessmen, who were the targets of the students anti-hoarding campaigns, cut into their hold over the movement.

Unable thus to find political leadership, the students and youth threw up their own leadership. And it was under this leadership that the movement was going on. But, as is inevitable in such circumstances, the movement started to lose its mass character and the activities that were still being carried on were undertaken by small activist groups.

The movement seemed to be simmering down, but just then three events took place which gave it another shot in the arm. First, the CPI, with the active co-operation of the administration — trains which had been cancelled during the railway strike were specially run for that day — staged an impressive, partly armed, demonstration on June 3 to affirm its faith in 'constitutional and parliamentary democracy'. Second, on June 4 the government staged a flag march by the army and the para-military forces through the streets of Patna to cow down the students. On the same day, Hajdeo Singh, the Inspector-General of the BSF, threatened to put tanks on the streets of the city to bring back law and order. On June 5, the government tried at first to hinder a JP-led demonstration of students and the people by sealing off all vehicular traffic routes into Patna; later, when the procession was returning after having been rebuffed by the Governor, it was fired upon by members of the Indira Brigade, an organisation known to be closely linked with some Congress legislators. All these development, predictably, built up the people's resistance and the movement acquired momentum once again.

In the next phase of the movement the emphasis was on anti-hoarding operations. Several raids were carried out and large stocks of hoarded essential commodities were recovered and sold to the people at fair prices. Wherever possible the help of the administration was taken. In the course of one such raid in Patna, in the presence of the District Magistrate, lakhs of bars of soap were unearthed from a godown. Coincidentally, orders transferring the District Magistrate were passed just a few days after this incident.

By the time JP returned after another one of his long trips outside Bihar, the movement was acquiring the character of an anti-repression agitation. The major factor in keeping the students active and the people in general sympathetic towards them was the muscle-flexing presence of the police everywhere. The government seemed to be bent on opening the universities and colleges on the strength of the armed police. The fact that thousands of students have been herded into over-crowded jails, the presence of the armed police in the university campus, the sight of hundreds of policemen loitering about in knickers in the Srikrishna Memorial Auditorium which has been turned into a camp for the para-military forces and the generally rough behaviour of policemen with the people have built up the people's resistance once again. Thus, though there were differences among the students over JP's call to them to leave their studies for a year, there was complete unanimity that educational institutions would not be allowed to function normally till the police was removed from the campuses. Overestimating the capacity of the police, the government reopened the universities. However, the pathetically thin attendance and the need for repeated use of the police against the students speak for the failure of the government's move. The government is now bent on holding the examinations and students are being literally dragged to the examination halls. Lathi charges and firing have become routine matters and arrested students and other political prisoners are beaten and tortured in the jails. Except for the maintenance of 'law and order', all other governmental work has come to a halt.

The Bihar movement has an essentially progressive character, as a movement against repression and for the protection of democratic rights. Through this movement the mass of the people are acquiring a democratic consciousness, probably for the first time in semi-feudal Bihar. In the face of brutal repression, increasingly the people are losing faith in JP's slogan: "*hamlaa chahe jaisa hoga haath hamara nahi uthega*" ("whatever be the method of attack, we shall not hit back"). The most popular slogan today, indicating the direction of the movement, is: "*daman me kitna jor hai tere, dekh liya hai, dekhenge!*" ("we have seen the force of your repressive machinery, we shall see it in the future also!")

WEST GERMANY

'Detente' Exposed

Ramesh Jaura

WEST BERLIN which, it had seemed, had ceased to be the source of tension in Europe with the signing of the four-power accord among the US, Britain, France, and the USSR three years ago, now appears as a roadblock in the way of continental and international detente. This is occasioned by the decision of West Germany, to establish in West Berlin the headquarters of the Federal Environmental Authority which formally comes under the Home Ministry in Bonn.

A declaration of the intention to set up the Authority in West Berlin was made last year by the previous socialist-liberal coalition led by Willy Brandt. But a bill to this effect was not passed by the West German lower house, the Bundestag, until June 19 this year. Three weeks later, the upper house, the Bundesrat, gave its assent to it. With the formal approval of the federal president, Walter Scheel, the Act came into effect on July 23.

While, by itself, the setting up of a West German environmental authority in West Berlin may seem politically insignificant, the location has in fact been regarded by some as symbolic of Bonn's decision to extend its political authority to West Berlin which, even under the four-power accord of September 3, 1971, is not a constituent part of the Federal Republic of Germany (FRG).

The three western signatories to the accord — *viz*, the US, Britain, and France — have evidently made no objection to West Germany extending its sphere of influence to West Berlin, though reports suggest that they did caution Bonn about its insistence on making West Berlin the headquarters of its federal environment board. The lone signatory to the four-power accord which has voiced a strong protest is, of course, the Soviet Union, which regards the West German decision as an attempt to unilaterally affect a change in the status of West Berlin. While the Soviets continue to regard the four-power accord as essential to the development of the detente in Europe, they have let it be known that no international treaties are unconditional or for ever. Moscow radio even warned that, if the West Berlin accord continues to be violated in this insidious manner, the Soviet Union might be left with no option but to regard it as null and void.

The Soviet Union's sharp protest has also been accompanied by a strongly-worded statement emanating from the German Democratic Republic. As a first step in the protest, the GDR has closed the transit roads, passing through its own territory, to the personnel and material of the West German environmental board. However, it has expressly stated that these measures would not in any way affect the rest of the transit traffic between West Berlin and West Germany.

Both the West German government at Bonn and the West Berlin Senate have denounced the restrictions on transit ways, newly enforced by East Germany, as unjustified and against the letter and spirit of the traffic agreements under the four-power accord. They have claimed that the setting up of the Federal Environment Authority in West Berlin does not violate the four-power accord. On the contrary, it is in line with the 1971 agreements which provided for the maintenance and further development of 'ties' between the Federal Republic of West Germany and West Berlin. A couple of West German newspapers have claimed that the current controversy would hinge on the interpretation given to the word 'ties' whose counterpart in the German text is '*Verbindungen*' ('binding connections'). In the view of the West German Left, however, whether or not the accord spoke of simple 'ties' or 'binding connections', the fact remains that it expressly ruled out that West Berlin is a constituent part of West Germany. And the establishment of a federal German authority in West Berlin can only be seen as a deliberate political attempt to extend FRG authority into West Berlin — which constitutes an act of provocation.

There is a certain well known method in this kind of provocation. According to informed circles, ex-Chancellor Brandt's acquiescence in the declaration of intention to set up the federal authority in West Berlin was no more than an attempt to demonstrate that Bonn had not written off the city — the 1971 accord, the eastern treaties, and the basic treaty with GDR, notwithstanding. It is regarded as significant, too, that the efforts to convert the intention into reality were made by the remodelled socialist-liberal coalition led by Chancellor Schmidt (SPD) and Foreign Minister Genscher (FDP).

While the new ruling coalition in Bonn has distanced itself from the promises of social and educational reforms, which were the keynote of the previous coalition, it has had to search other ways of winning back the disillusioned electorate. One obvious way was to get through some prestige bills before the Bundestag went into its summer recess. The Opposition, comprising the Christian Democrats (CDU) and the Christian Socialists (CSU) — who continue to command a majority in the Bundesrat —, made the smooth passage of the governmental bills conditional upon subsequent legislation about the Federal Environment Authority. This way, the Schmidt-Genscher coalition has succeeded in killing two birds with one stone: it now has something to offer the electorate in the forthcoming State-level elections, as well as something to go on at the polls in West Berlin. The city has been continuously ruled by the Social Democrats over the last two decades. Both the SPD and the ruling Mayor have traditionally spoken and acted in a more Right conservative manner than their counterparts in the Federal Republic of Germany.

An example of this was provided during the celebrations on July 20, to commemorate the anniversary of the unsuccessful attempt on Hitler's life 30 years ago. An invitee to the celebrations at the Reichstag in West Berlin was a man called Dr Filbinger — one of the many untouched, well-placed, keymen from Hitlerite Germany who also continue to hold important positions today. The career of Filbinger too did not end with Hitler's: he joined the CDU, later became chief minister of the West German state of Baaden-Wuerttenburg, and continues to be the president of the Bundesrat. The presence of Filbinger at the celebrations organised in memory of those who died fighting against fascism has angered even the otherwise conservative Press in West Berlin — leaving out of course Axel-Springer. What has made the Filbinger episode important, is that it comes in the wake of a recent controversy involving a former Gestapo boss in Paris, Kurt Lischka. Lischka was sentenced in 1950, in absentia in Paris, to life-long imprisonment. Since West Germany has not ratified the repatriation treaty with France, Lischka continues

to live undisturbed in Cologne. Three years ago, a woman journalist, Beate Klarsfeld, possessing West German and French citizenship tried to kidnap him to France; earlier this month she was sentenced to a two-month jail internment for 'physical assault' on the former Gestapo boss!

The Klarsfeld affair came up for discussion even during the recent state visit of French President Giscard d' Estaing to Bonn. West German Chancellor Schmidt promised d'Estaing that the repatriation treaty would be ratified — latest by the end of the year. For the last three years, it has been awaiting clearance by a reviewing committee in Bonn, whose president is another Nazi eminence — Ernst Achenbach. There is evidence that, as a Nazi diplomat in Paris, Achenbach had been involved in the deportation of at least 2,000 Jews to Auschwitz and Maidanek.

Such revelations, as also the inclusion of West Berlin in an overseas broadcasting series about FRG by the Deutsche Welle, have played into Soviet hands and against the present coalition in Bonn. The broadcast has also brought forth protests from the Soviet Union and other East European countries. Moscow might not be planning anything concrete presently in the face of what it is making out to be a violation of the four-power accord. But the tenor of its protests reflects that, unless Chancellor Schmidt decides to spare some time and attention for his eastern neighbours, his remodelled coalition might succeed in undoing what its predecessor had ostensibly committed itself to achieve. Perhaps the re-entry of Egon Bahr, who masterminded the detente with Eastern Europe, as Minister of Development, is intended as a conciliatory gesture, not only for the Brandt supporters in the SPD, but also towards the Soviets. But, then, Eppler whom Bahr has replaced was not a Right-wing Social Democrat; and Bahr himself has been at pains to demolish hopes that he would be undertaking any extra-curricular activities outside of the government lines.

NAGALAND

Waiting for the Peace That Never Comes

M Horam

TWENTY-SEVEN years is a long time to be agitating for independence and apparently getting nowhere though there have been longer standing cases of frustrated nationalism. If all attempts to reach a satisfactory solution of the Naga problem have so far failed it is not for want of trying. Despite blunders on both the Indian and the Naga sides it must be stated in fairness to New Delhi that there was a time when a negotiated settlement through political dialogue was not ruled out by it. But this was not to be and the problem remains as intractable as ever. While all political goings-on are on record what has never been fully gauged is the sum-total of human suffering during these 27 long years. And there has been suffering, plenty of it. It must be so till a settlement is reached.

When the September 1972 ban was announced declaring illegal the three wings of the Federal Government of Nagaland, it was hoped by many that a fatal blow was thus struck to the activities of these underground bodies. Again when the Revolutionary Government of Nagaland, a splinter underground organisation, decided to surrender on August 16, 1973, it began to look as though the Naga underground movement was at last petering out and indeed this idea was conveyed in most press reports at that time. Today, almost two years after invoking the Unlawful Activities Prevention Act, and despite all reports and statements to the contrary, the situation remains unchanged for the Naga villagers. Military operations continue and villagers live in suspense and fear. Thus things are not what they seem in these troubled hills. The true picture is either kept deliberately hidden or it is possible that at the official level it is genuinely believed that the back of the problem has been broken and that given time it must fizzle out. If problems could evaporate in this fashion then many administrative headaches could be avoided but in this case one must reckon with the Naga psyche and the present set-up in Nagaland.

The decade long rule of the Naga Nationalist Organisation ended when early this year the United Democratic Front, the erstwhile opposition party, came to power. The UDF has been fairly consistent in its avowals, aims and political colour. While the NNO has always been associated in the Naga mind as leaning towards New Delhi, the UDF has been openly spoken of as being a pro-underground body. The UDF victory, after years of patient waiting, was hailed by the underground Nagas as their own victory. Indeed it is openly voiced that the fortunes of the UDF are dependent to a great extent on the support extended to it by the underground Nagas. In the cabinet now are formerly active NNO men.

Underground traffic to China continues unabated and small batches of China-trained guerillas return to the country at regular intervals. There are agreements recently arrived at between the Naga underground of Kachin, Mon and Chin insurgents in Burma. Though all this may pose little or no threat to the nation, the fact remains that these goings-on give the lie to the claim that the north-eastern region is silent or silenced.

A single visit to the five states and two union territories constituting the north-east mosaic and a few interviews with the youth of the region will apprise one of the general discontent that prevails in these states. The deep-seated suspicion, distrust and bitterness will be disconcerting to anyone who may have been given to understand that all this was a thing of the past and that any anti-government activity here is blown out of all proportion and is in fact a non-happening. Granting of statehood and union territory status notwithstanding, there is seething mass unrest. The people of Assam resent the dismembering of their state and besides Assam has its own problem of the Ahoms demanding a separate homeland. Miri and Garo tribals in the plains want, respectively, a separate state and merger with Meghalaya. Anti-Indian feeling rides high among the youth in Meghalaya and provides the main topic of conversation even between strangers. Mizo hostile activity has reached a crescendo and an independent Mizoram is still the cherished goal of the guerillas and the secret dream of many Mizos. Mizo rebels continue to use China and Pakistan as allies. Youth in Arunachal fear the swamping of their culture and identity by Indian ways and influence and often organisations founded ostensibly to safeguard culture become centres of feverish political activity. Manipur takes the cake for political instability and chaos and here matters are further worsened by a pan-Mongoloid movement and the Kangla League stridently demanding an independent Manipur. Meanwhile responsible leadership in the Naga Hills region of Manipur continues to carry a sizeable population with it in the demand for Greater Nagaland by integrating all contiguous Naga areas. The Kukis and Lushais in Manipur wish to merge with Mizoram. With so many groups pulling in as many directions, it is little wonder that peace cannot even find a perching place in this region.

While political opportunism is bound to thrive in situations such as these, another puzzling fact is the total indifference of a fairly large section of Nagas all of whom have one common aspect — they are among the more educated and better qualified among their people. They seem to be dispassionate onlookers. Their apathy may be construed as being either the cynical aloofness of the modern educated man or a deliberate and appalling disregard of their responsibility to society and the nation. They could do a great deal to inject sanity and moderation in a situation like this where opposing parties, arguing from different premises, have taken all of 27 years to reach nowhere. The underground Nagas continue to be "patriots" in the eyes of all Naga nationalists and "rebels" in the eyes of India. A curious fact often overlooked is that this educated section of Nagas so indifferent to the Naga milieu, are the very persons who have benefited most as it were from all the happenings.

This needs some enlargement. The underground movement precipitated the formation of the state of Nagaland. The Government of India since then has poured aid into Nagaland. Even the semi-educated, not to mention those with adequate qualifications, benefited job-wise when Nagaland came into existence. Then with aid from New Delhi a new generation of Nagas received the very best education and training without incurring practically any expense of their own. Having thus been educated and finding their future ready-made most of them have not felt it necessary to exert themselves in any way. They have steered clear of controversy and have slid into lucrative careers. Instead of being a sound middle-of-the-road body, working for peace and understanding, many of them are guilty of sitting on the fence or deliberately turning their faces away from the needs of the people. Some have indeed done worse; with all their learning and knowledge, they have not hesitated to use their brains in misleading their innocent brethren thus wounding where they should have brought the balm of healing. They talk to please and act only after carefully observing which way the cat will jump. When with representatives of the government one may hear them conveniently run down the "hostiles". When back in their own villages or face to face with underground men or sympathisers they execute a *volte face* and speak movingly of independence for the Nagas. There are hardly any who will speak out boldly against New Delhi's shortcomings and then unequivocally point out the blunders which the Naga underground has made and go on to suggest how the present impasse can be removed. This is a time for truth not smooth platitudes. When this is realised by the hitherto indifferent intelligentsia a reliable way will be paved for peace to come to Nagaland. For in spite of all claims to the contrary there is no peace in Nagaland.

It is becoming a matter of course to cite India's new found superiority in the subcontinent as effective match against any foolhardy rising on the part of a handful of Nagas. The recent nuclear device acquired by the nation may further enhance that feeling of euphoria. True India is not the India of 1962 and it has come a long way since then as a military power in its own right. But the increase in India's military strength has not in any way decreased the political aspirations of the underground Nagas. The problem therefore remains. But what is heartening is that even among the Phizoites there are people who will settle for less than independence. This in itself is a step in the right direction and towards peace. What is required is tactful handling, concessions and magnanimity on the part of the Government of India and rational thinking, practicality and graciousness on the part of the underground leaders. The Church leaders alone cannot do much. For a lasting solution of the problem public involvement is required. Public leaders must be more forthright than they have been. Politicians will have to stop thinking of themselves and of staying in power but must utilise their office in resolving the problem which has dogged the footsteps of their suffering people for so long.

This will entail sacrifices all round as well as some hard and level-headed thinking. New Delhi and the Federal Government of Nagaland have been at cross purposes too long and the stalemate can easily continue with no one suffering too much except of course the poor Naga villager whose disenchantment with all parties and governments is by now complete. This is not the time to stand on national prestige or worry about loss of face for this is a matter involving human lives and much tragedy. If extreme views and demands are modified and if an accommodating spirit is shown then there is no reason why the Naga question cannot be settled within a fairly short time. Failing this the long suffering Naga public will have to make its presence felt and come up with an answer and solution which will only hold up more glaringly the diminishing credibility of both the Government of India and the so-called representatives of the Naga people.

There is yet another aspect of the problem which needs consideration and requires farsighted action. India's relations with China continue to remain cool and China's abetment of hostile activity in the north-east has not endeared that country to India. Again, if India has become a nuclear power, China's nuclear arsenal is also well equipped. International relations and actions are no longer predictable in a world taut with tension. The territory of the north-east areas of India is not to be scoffed at. Wars have been fought for lesser prizes. Of course, in such an event the hill areas will have played directly into China's hands but by then it would be too late.

Perhaps, the greatest weakness on the Naga side is the fact of tribal rivalry which may be said to have been transcended in the wake of Naga nationalism inspired by Phizo way back in 1947. Recent happenings however have repeatedly shown that this unity is often only an illusion. The only binding factor among the tribes is the fact that they are 'different' from the Indians. It is this theory which is the focus of Naga nationalism. As Barclay has said, "A Nationalist needs a theory. But it is no more than the truth to assert that any theory will do. What is really important is not an intellectual argument, but a physical fact of difference ... Race obviously provides the most satisfactory rallying call for the new Nationalism." So, as long as the Underground groups pursue this theory — and many among them confidently speak of holding out indefinitely, having held out for 27 years — and as long as the Government of India takes up the issue piecemeal or hopes to solve it by ignoring it, in short as long as the two sides continue to behave in impractical and uncertain ways, peace in the Naga hills will remain a myth.

United Commercial Bank

Head Office : 10, Brabourne Road, Calcutta-1

REPORT OF THE DIRECTORS

THE Directors have pleasure in presenting their Fifth Annual Report on the working of the Bank for the year ended 31st December 1973. The audited Balance Sheet as at and Profit and Loss Account for the year ended 31st December 1973 are appended hereto.

Impact of Monetary Policy on the Operations of the Bank

The year 1973 will stand out significantly as the year in which the banking system had to face the consequences of a sharp rise in world prices of several essential raw materials and capital goods following the rise in the price of crude oil and the unprecedented rate of inflation in the country. In contrast to the position which obtained in 1972 the demand for Bank credit was of a much higher order and although the deposit resources of the banking system increased during the year by as much as Rs 1,650 crores as against Rs 1,444 crores in the previous year, the credit expansion was disproportionately higher at Rs 1,294 crores as compared with Rs 518 crores in 1972.

During the course of the year, the monetary authorities initiated a series of measures to contain credit expansion by banks as an essential step towards curbing the galloping inflation in the country. These included:

(1) Increase in the Bank Rate from 6 per cent to 7 per cent.

(2) Impounding the cash balances of the banks by enhancing the statutory cash reserve from 3 per cent to 7 per cent in three stages.

(3) Increase of the statutory liquidity ratio from 30 per cent to 32 per cent thus making it necessary for banks to invest more funds in Government Securities.

(4) Restricting recourse to refinance from the Reserve Bnak of India by imposing quantitative ceilings.

(5) Making refinance expensive by raising the rate of interest on borrowings in relation to the net liquidity ratio.

(6) Prescribing initially a minimum lending rate of interest of 10 per cent per annum on advances other than certain specified categories and later raising it to 11 per cent per annum.

(7) Instructions to banks to raise the margin on advances against inventories and book debts.

For the best part of the year the Bank's resources position remained comfortable and it was possible for the Bank to carry on its normal lending operations, along with compliance with the various monetary measures introduced by the Reserve Bank of India. At the end of the 1972-73 busy season, the Bank's advances and bills in India amounted to Rs 240.63 crores which formed 67.58 per cent of the deposits. During the 1973 slack season, the Bank's deposit resources in India went up from Rs 356.07 crores to Rs 395.19 crores showing an increase of Rs 39.12 crores. Advances and bills went up by Rs 12.69 crores from Rs 240.63 crores to Rs 253.32 crores bringing down the credit-deposit ratio from 67.58 per cent to 64.10 per cent. The high liquidity position built up by the Bank during the slack season enabled it to meet the situation arising from the restrictive measures introduced by the monetary authorities, though towards the close of the year the impact of the tight liquidity position made itself felt.

Operations of the Bank

Branch Expansion

During the year 1973, the Bank opened branches at 139 centres — the highest number in any one year since its inception. Of these, 87 were in rural centres, 18 in semi-urban and 17 each in urban and metropolitan centres. At the end of 1973, the total number of branches in India was 670 distributed as under:

Rural	252
Semi-urban	180
Urban	133
Metropolitan	105
Total	670

During the five-year period 1969 to 1973, the number of branches in rural centres increased from 33 to 252 and those in semi-urban centres from 107 to 180. The percentage of branches in rural and semi-urban centres to total number of branches in India at the end of 1973 was 64.4 as compared with 44.6 at the end of 1968.

In its plan for Branch Expansion in 1974, the Bank has laid emphasis on opening branches at centres in underdeveloped states which have remained unbanked though such centres are headquarters of Talukas and Blocks.

Lead Bank Scheme

The Bank's activities in the Lead Districts have been stepped up. Out of the 139 branches opened during 1973, 67 were located in the Lead Districts assigned to the Bank bringing the total number of branches in Lead Districts to 210. The state-wise distribution of these branches was as in Table A.

During the year 1973, the Bank commenced making in-depth studies of the Lead Districts with a view to drawing up credit plans for each Block. It has completed the depth survey of Four Blocks in the district of Hooghly. Similar studies in respect of some of the Blocks in the districts of Birbhum and Howrah in West Bengal, Jodhpur, Nagaur and Jaipur in Rajasthan, Kamrup and Darrang in Assam and Balasore in Orissa are under way.

Follow-up meetings of the District Co-ordination and District Consultative Committees in the Lead Districts were held at regular intervals in order to make an assessment of the progress made by different banks in implementing the programmes taken in hand.

The number of borrowal accounts falling under priority sector advances at the branches in the Lead Districts increased from 7,546 at the end of 1972 to 15,883 at the end of 1973. The outstanding balances in such accounts increased to Rs 7.60 crores at the end of 1973 from Rs 4.42 crores at the end of the previous year.

Table A

State	No. of New Branches Opened in 1973	No of Branches at the End of 1973
West Bengal	17	47
Bihar	4	15
Orissa	9	31
Assam	7	28
Himachal Pradesh	5	18
Punjab	12	35
Rajasthan	13	36
Total	67	210

Deposits

The deposits and other accounts of the Bank at the end of 1973 stood at Rs 480.65 crores as against Rs 416.14 crores at the end of the previous year. The increase in deposits and other accounts excluding those from banks was of the order of Rs 66.77 crores — the percentage increase being 16.94. The Savings Bank deposits were higher by Rs 17.62 crores and stood at Rs 109.67 crores as against the increase of Rs 13.18 crores during the previous year.

The contribution of branches situated in rural and semi-urban areas to the increase in deposits was Rs 19.53 crores forming 29.25 per cent of the total increase in deposits in India.

The number of deposit accounts in India went up from 14,32,550 to 16,27,410 — an increase of 1,94,860 accounts.

The deposits and other accounts of branches outside India showed an increase of Rs 5.35 crores which was marginally higher as compared with the increase of Rs 5.28 crores during the previous year.

Advances and Bills

The aggregate advances and bills of the Bank outstanding as at 31st December 1973 was Rs 315.28 crores as against Rs 243.68 crores, showing a rise of Rs 71.60 crores as against Rs 14.82 crores during the previous year. The average credit-deposit ratio of the Bank in India during 1973 was 65.16 per cent as against 66.48 per cent during the previous year. The credit expansion of the Bank which had remained at a low level as a result of the sluggish tempo of economic growth during the year 1972 showed improvement during 1973, particularly during the last quarter of the year, coinciding with the commencement of the busy season.

The advances in India at Rs 286.15 crores showed an increase of Rs 59.59 crores over the figure of Rs 226.56 crores for the previous year. Out of the increase of Rs 59.59 crores, Rs 30.52 crores being 51.22 per cent, went to Priority Sectors, Public Sector Undertakings and advances for Food Procurement.

Of the increase of Rs 59.59 crores in advances in India, the Eastern and North-Eastern Regions comprising the States of Assam, Bihar, Meghalaya, Orissa, Tripura and West Bengal accounted for Rs 20.81 crores. The deposits of the branches in these States showed an increase of Rs 16.95 crores during the year.

The Bank's credit to large and medium scale industries was of the order of Rs 138.01 crores at the end of 1973 as against Rs 112.37 crores at the end of the previous year. In extending credit to large and medium scale industries foremost consideration was given to the importance of the industry in the economy of the country, particularly in the export field. Though due to rise in prices of raw materials, industries required larger quantum of credit for normal inventories, additional credit in the existing accounts was extended after a close scrutiny of the inventory position and turnover. During the year, the Bank extended new credit lines to medium and large scale industries for their operations or expansion and also for the setting up of new units in backward districts in the States of West Bengal, Bihar, Orissa and Tamil Nadu.

The advances of foreign branches at Rs 29.13 crores showed an increase of Rs 12.01 crores as compared with the increase of Rs 4.35 crores during the previous year. This expansion was met by the branches out of their own local resources.

Priority and Preferred Sectors

In the deployment of credit, the Bank continued to lay emphasis on advances to priority and preferred sectors. At the end of the year, the total credit to these sectors amounted to Rs 79.40 crores as against Rs 60.49 crores at the end of the previous year and Rs 52.74 crores at the end of 1971. The percentage of advances to priority sectors to the total advances of the Bank in India at the end of 1973 was 27.75 as against 24.82 at the end of the previous year and 23.04 at the end of 1971. The increase in credit to these sectors formed 28.32 per cent of the deposit accretion during the year and 31.73 per cent of the rise in total Bank credit in India. The number of

Table B

(Amount in Crores of Rupees)

Financing of	1971 No. of A/cs.	1971 Limits Sanctioned	1971 Balance Outstanding	1972 No. of A/cs.	1972 Limits Sanctioned	1972 Balance Outstanding	1973 No. of A/cs.	1973 Limits Sanctioned	1973 Balance Outstanding
1. SMALL-SCALE INDUSTRIES									
Of which TRANSPORT OPERATORS	6,195	32.70	19.64	6,876	35.44	22.59	8,805	40.62	26.59
	(1,908)	(4.87)	(3.23)	(2,320)	(5.94)	(3.66)	(3,199)	(7.09)	(4.66)
2. AGRICULTURE	34,522	20.93	15.27	38,848	22.12	17.15	47,657	33.36	21.60
3. EXPORTS (Pre-shipment and Post-shipment)	401	20.27	10.51	375	22.50	12.82	440	22.03	22.10
4. RETAIL TRADE AND SMALL BUSINESS									
5. PROFESSIONALS AND SELF-EMPLOYED AND EDUCATION	11,624	11.02	7.32	13,990	11.68	7.93	19 933	12.40	9.11
TOTAL :	52,742	84.92	52.74	60,089	91.74	60.49	76,735	108.41	79.40

TABLE C

(Amount in Crores Rupees)

Financing of	1971			1972			1973		
	No. of A/cs.	Limits Sanctioned	Balance Outstanding	No. of A/cs.	Limits Sanctioned	Balance Outstanding	No. of A/cs.	Limits Sanctioned	Balance Outstanding
1. Retail Traders	6,161	9.37	6.14	7,331	9.73	6.43	9,387	9.86	7.13
2. Small Businessmen	3,172	0.70	0.44	4,037	0.94	0.94	4,625	1.15	0.88
3. Professionals and Self-employed persons	2,203	0.87	0.67	2,516	0.91	0.74	5,745	1.31	1.03
4. Students for Education	88	0.08	0.06	106	0.10	0.07	76	0.08	0.07
TOTAL :	11,624	11.02	7.31	13,990	11.68	7.93	19,833	12.40	9.11

borrowal accounts at 76,735 showed a rise of 16,646 as compared with the rise of 7,347 during the previous year. The sector-wise position of the priority sector advances for the years 1971, 1972 and 1973 is given in Table B.

Advances to Small-scale Industries

The advances to Small-scale Industries sector inclusive of transport operators at Rs 26.59 crores recorded an increase of 17.70 per cent over the previous year's level of Rs 22.59 crores. The number of new borrowal accounts during the year went up by 1,929 as against 681 during the previous year.

Agriculture

The advances to the agricultural sector improved from Rs 17.15 crores at the end of 1972 to Rs 21.60 crores at the end of 1973. The number of borrowal accounts at the end of 1973 rose to 47,657 from 38,848. Out of these 47,657 accounts, 20,130 accounts or 42.24 per cent were of farmers having land holdings of less than five acres. The direct finance to agriculture amounted to Rs 12.42 crores and out of this Rs 4.13 crores or 33.25 per cent went to the category of the small farmers.

A number of schemes for financing agricultural and allied activities was formulated by the Bank on its own or with the help of the Agricultural Finance Corporation Ltd, during the year 1973.

Exports

The Bank recorded good performance, during the year in Export Finance. At the end of 1973, the total exports credit outstanding amounted to Rs 22.10 crores as compared with Rs 12.82 crores at the end of 1972 reflecting an increase of 72.39 per cent. The major portion of such finance was extended to exporters of Cotton textiles, Jute and Jute goods, Tea, Shellac, Engineering goods and Handicrafts. Some of the Bank's customers have won Awards for outstanding export performance.

Assistance to Other Preferred Sectors

The total advances to other preferred sectors at the end of 1973 amounted to Rs 9.11 crores showing an increase of Rs 1.18 crores over the previous year. The number of borrowal accounts at 19,833 showed an increase of 5,843. With a view to helping the revival of film industry in the State of West Bengal, the Bank extended financial assistance for construction of small capacity cinema halls in rural and semi-urban areas and for production and exhibition of documentary and feature films. The main consideration which has weighed with the Bank in extending finance for construction of cinema halls is to help generate additional employment potential in rural/semi-urban areas as a result of establishment of cinema halls. Similarly, financial assistance to documentary and feature film producers has been given to enable them to get finance at reasonable rates of interest instead of borrowing from private money lenders at usurious rates. Likewise, financial assistance has been extended to a mobile theatrical group which performs plays in and around Calcutta supporting a large number of artistes. The Table C gives the comparative position of the Bank's performance in extending credit to other preferred sectors for the years 1971, 1972 and 1973.

Special attention was paid during the year for implementing the Government scheme for providing half a million jobs to educated unemployed persons. A Special Cell was created at the Head Office of the Bank for processing the applications received under the scheme as well as for ensuring prompt action in the disbursement of credit at the branch level. This scheme gathered momentum towards the end of the year and substantial progress is expected during the current year.

We have so far approved 389 applications and sanctioned loans upto Rs 2.08 crores in West Bengal. Special mention may be made of the scheme at Industrial Estate Patulia, Titagarh — where the Bank has sanctioned 18 schemes involving Rs 12.75 lakhs covering manufacture of machinery spares, machine needles, printing press, dairy products, ceramic products, radio receivers, corrugated boxes, and confectionery items. The 18 units have provided employment to 262 youngmen of whom 42 are educated unemployed.

Differential Interest Rates Scheme

The scope of the scheme for lending at the concessional rate of interest of 4 per cent per annum which was introduced in the middle of 1972 was widened in the month of March 1973 by:

(1) covering SFDA/MFAL districts,
(2) increasing the number of districts from 163 to 265,
(3) adding new categories of beneficiaries,
(4) raising the ceiling of family income from Rs 2,000 to Rs 3,000 per annum in urban and semi-urban areas and from Rs 1,200 to Rs 2,000 per annum in rural areas and
(5) raising the ceiling on term loans from Rs 2,500 to Rs 5,000 and working capital finance from Rs 500 to Rs 1,500 to any single borrower.

The Bank had initially introduced the scheme at 70 branches. With the widening of the scope, the scheme has been extended to 221 branches. As at the end of December 1973, the advances under the scheme amounted to Rs 16.30 lakhs as compared with Rs 3.08 lakhs at the end of the previous year. The number of beneficiaries under the scheme stood at 3,520.

Investments

The investments in Government and other Securities which stood at Rs 139.94 crores at the end of December 1972 rose to Rs 169.26 crores as on 7th September 1973. In order to comply with the Reserve Bank directive to maintain the higher cash reserve ratio of 5 per cent from 29th June 1973, 6 per cent from 8th September 1973 and 7 per cent from 22nd September 1973 as also to meet the expansion in credit during the busy season, the Bank had to dis-invest some Government and other Securities. During the same period, the Bank had lent support to the new Issues of the Central and State Governments and State associated Bodies/Corporations. At the end of the year, the investments portfolio at Rs 150.86 crores showed an increase of Rs 10.92 crores over the previous year's figure of Rs 139.94 crores.

Working Results

On account of the increased volume of business, the income under the heads 'Interest and Discount' and 'Commission, Exchange and Brokerage' rose by Rs 6.61 crores and Rs 0.55 crore respectively as compared with the increase of Rs 2.76 crores and Rs 0.11 crore respectively during the previous year.

On the expenditure side 'Interest paid on deposits, borrowings, etc' went up by Rs 4.63 crores as against Rs 1.41 crores during the previous year. Salaries and allowances and contribution to Provident Fund and Gratuity Fund went up by Rs 2.10 crores as against Rs 0.92 crore during the previous year. Due to low credit-deposit ratio for the best part of the year, increase in the cost of short term funds, the unprecedented rise in the rates of Dearness Allowance of employees and the higher cost of rents, stationery, printing, etc, the profit for the year at Rs 180.68 lakhs was marginally lower than the profit for the previous year.

Out of the profit, the amount transferred to Reserve Fund at Rs 39 lakhs was marginally higher than in the previous year. After providing Rs 96.00 lakhs for payment of bonus to staff a sum of Rs 45.68 lakhs has been transferred to the Central government in terms of Section 10 (7) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 which works out to 5.5 per cent of the compensation amount of Rs 8.30 crores paid by the Government for the acquisition of the undertaking of The United Commercial Bank Limited.

Overseas Operations

The Bank's foreign branches in Hong Kong, Singapore and London, made good progress in their working during the year.

The United Asian Bank Berhad with Head Office at Kuala Lumpur promoted jointly by Indian Ovearseas Bank, Indian Bank and United Commercial Bank, commenced functioning from May 26, 1973. The new Bank has taken over the assets and liabilities of the branches in Malaysia of the three Indian Banks that were operating there at the time of nationalisation of Banks in India.

Training of Personnel

The training of personnel in various fields was continued during the year. 90 Promotee Officers attended the foundation course designed for them. Induction courses on financing agriculture and allied activities were conducted at Ahmedabad, Ranchi, Madras, Kalyani and Jaipur for the benefit of 116 agricultural graduates appointed during the year as Field Officers and 37 Rural Branch Managers. Special courses for credit management were also held at some of the centres for the benefit of Managers of Branches and Heads of the advances departments of the bigger Branches. The Bank also imparted induction training to 182 clerks recruited during the year. 39 Inspectors and Auditors were deputed by the Bank to the Inspection Orientation Course conducted by Bankers' Training College (RBI), Bombay. A training college with hostel facilities is being set up in Calcutta shortly. At this centre it is proposed to impart training to staff at various levels in rural banking, agricultural finance, credit operations, foreign exchange, audit and inspection, etc. The necessary faculty staff for the purpose has been detailed from within the Bank.

USE OF HINDI

Further steps were taken in the matter of using Hindi in the Bank's operations. Two officers with specialised knowledge of Hindi were appointed at Head Office and an Official Language Implementation Committee consisting of some senior officers of the Bank was constituted. The Branches situated in all the Hindi speaking areas have been advised to bring into use a larger number of forms, particularly those used by the public, printed either in Hindi or bilingually in Hindi and English. In the Hindi speaking areas, Bank's signboards and names of departments are being displayed in Hindi. At the Divisional and Zonal Offices situated in such areas, typewriters in Hindi language have been introduced and efforts are being made to send replies in Hindi to the letters received in that language.

MEETING OF THE BOARD OF DIRECTORS AND THE MANAGEMENT COMMITTEE

During the year 1973, 8 meetings of the Board of Directors were held. The Management Committee constituted under the provisions of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme 1970 met 17 times during the year 1973. The term of the Management Committee expired on 10th December 1973 and since then the Board of Directors has been meeting on an average twice a month.

STAFF

During the year 1973, the Bank recruited 403 persons in the subordinate cadre, 1,194 persons in the clerical cadre and 180 persons in the officers cadre including Field Officers and Technical Staff. At the end of the year 1973, the strength of staff of the Bank in the various cadres was as under :

Subordinate Cadre	3,170
Clerical Cadre	6,710
Officers Cadre	2,770
Total	12,650

The staff relations during the year were satisfactory.

The Board of Directors wishes to place on record its appreciation of the services rendered by the staff at various levels and looks forward to their continued co-operation in building up the image of the Bank and in fulfilling the objectives of nationalisation.

The Board of Directors is grateful to the Bank's clients and well-wishers in India and abroad for their wholehearted support and patronage.

For and on behalf of the Board of Directors

Calcutta, V R DESAI
5th July 1974 *Chairman*

United Commercial Bank

BALANCE SHEET AS AT 31ST DECEMBER, 1973

CAPITAL AND LIABILITIES			31st December, 1973		31st December, 1972	
			Rs. P.	Rs. P.	Rs.	Rs.
1. CAPITAL :						
Paid up				2,80,00,000 00		2,80,00,000
(Wholly owned by the Central Government)						
2. RESERVE FUND AND OTHER RESERVES :						
(a) Reserve Fund			5,99,40,000 00		5,57,40,000	
(b) Development Rebate Reserve			60,000 00	6,00,00,000 00	3,60,000	5,61,00,000
3. DEPOSITS AND OTHER ACCOUNTS :						
Fixed Deposits :						
(i) From Banks	Rs.	11,14,35,940 23			13,87,42,983	
(ii) From Others		2,31,29,55,735 82	2,42,43,91,676 05		1,99,10,08,285	
Savings Bank Deposits Current Accounts, Contingency Accounts, etc.		.. ..	1,09,67,29,683 81		92,05,61,599	
(i) From Banks	Rs.	8,54,52,054 66			8,07,36,551	
(ii) From Others	Rs.	1,19,99,32,754 50	1,28,53,84,809 16	4,80,65,06,169 02	1,03,03,16,442	
4. BORROWINGS FROM OTHER BANKING COMPANIES, AGENTS, ETC.					1,11,10,52,993	4,16,13,65,860
(i) In India						
Borrowings from : Industrial Development Bank of India	Rs.	1,39,92,775 33			1,81,69,518	
Agricultural Refinance Corpn.	Rs.	53,08,000 00			59,59,500	
Financial Institutions under Participation Certificate Scheme	Rs.	56,00,000 00			5,00,000	
Reserve Bank of India	Rs.	5,59,00,000 00			—	
Other Banks and Financial Institutions	Rs.	9,43,81,301 99	17,51,82,077 32		3,57,91,907	
					6,04,20,925	
(ii) Outside India			4,47,01,826 04	21,98,83,903 36	1,16,11,494	7,20,32,419
PARTICULARS :						
(i) Secured by part of Investments and assignment of Securities for Advances per contra			5,92,11,885 33		1,34,96,829	
(ii) Unsecured			16,06,72,018 03		5,85,35,590	
			21,98,83,903 36		7,20,32,419	
Carried over ..				5,11,43,90,072 38		4,31,74,98,279

PROPERTY AND ASSETS			31st December, 1973		31st December, 1972	
			Rs. P.	Rs. P.	Rs.	Rs.
1. CASH : In hand and with Reserve Bank of India and State Bank of India (including foreign currency notes) ..			53,70,46,795 55			42,93,58,662
2. BALANCES WITH OTHER BANKS :						
On Current Account						
(i) In India		1,73,83,715 95			1,23,86,359	
(ii) Outside India		5,00,46,499 33	6,74,30,215 28		3,52,45,728	
					4,76,32,087	
On Deposit Account :					3,20,00,000	
(i) In India		50,00,000 00			1,31,15,479	
(ii) Outside India		2,11,34,248 41	2,61,34,248 41	9,35,64,463 69		9,27,47,566
					4,51,15,479	
3. MONEY AT CALL AND SHORT NOTICE :				63,06,11,259 24		6,78,35,720
				1,20,48,500 00		
				64,26,59,759 24		58,99,41,948
4. INVESTMENTS : (at below market value)						
(i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments ..			1,46,06,79,757 27		1,37,03,47,867	
(ii) Shares :						
(a) Fully Paid Preference Shares ..			9,22,042 50		9,22,042	
(b) Partly Paid Preference Shares ..			—		—	
(c) Fully Paid Ordinary Shares ..			51,03,352 13		49,56,552	
(d) Partly Paid Ordinary Shares ..			45,63,410 00		40,37,120	
(iii) Debentures or Bonds ..			1,13,45,916 25		50,32,871	
(iv) Other Investments :						
(a) Securities of Foreign Governments and Foreign Trustee Securities ..			2,21,93,199 65		1,36,96,708	
(b) Unit Trust of India (Initial Capital) ..			4,50,000 00		4,50,000	
(c) Fully Paid Ordinary Shares in United Asian Bank Berhad ..			33,33,334 28		—	
(v) Gold ..			—		—	
				1,50,85,91,012 08		1,39,94,43,160
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 Rs. 2,12,34,58,994 54						1,69,04,71,589
Includes Advances against which refinance has been obtained per contra from :	31.12.1973 Rs.	31.12.1972 Rs.				
Term Advances: Industrial Development Bank of India and Agricultural Refinance Corporation	1,39,92,775 33	1,81,69,518				
	53,08,000 00	59,59,500				
Cash Credit: Financial Institutions under Participation Certificate Scheme	56,00,000 00	5,00,000				
(ii) Outside India	Rs.	13,84,48,874 09	2,26,19,07,868 63			7,78,48,868
						1,76,83,20,457
(II) Bills Discounted and Purchased (excluding Treasury Bills of the Central and State Govts.)						
(i) Payable in India Rs. 63,89,35,463 47						50,68,16,760
Includes an amount of Rs. 14,40,00,000 (Previous Year—Rs. 7,00,00,000) classified under Particulars (iii) below-of Usance Promissory Notes lodged with Reserve Bank of India for advances under Section 17 (4) (c) against which no borrowing was outstanding.						16,16,20,894
(ii) Payable outside India	Rs.	25,19,49,736 95	89,08,85,200 42	3,15,27,93,069 05	66,84,37,654	2,43,67,58,111
		Carried over ..		5,30,40,43,840 37		4,42,61,43,219

United Commercial Bank

BALANCE SHEET AS AT

CAPITAL AND LIABILITIES		31st December, 1973		31st December, 1972	
		Rs. P.	Rs. P.	Rs.	Rs.
Brought forward	..		5,11,43,90,072 38		4,31,74,98,279
5. BILLS PAYABLE :			8,91,62,302 21		6,10,19,648
6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE as per contra :					
(i) Payable in India	..	32,09,74,434 78		25,59,93,088	
(ii) Payable outside India	..	9,75,32,342 34	41,85,06,777 12	8,74,98,432	34,34,91,520
7. OTHER LIABILITIES .					
(i) Branch Adjustments	..	19,57,75,724 54		12,64,56,577	
(ii) Rebate on Bills Discounted, Advance Receipts, etc.	..	94,05,893 46	20,51,81,618 00	62,71,475	13,27,28,052
8. ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS per contra :	..		43,40,60,174 93		33,77,70.507
9. PROFIT AND LOSS :					
Profit as per last Balance Sheet	.. ..	52,62,722 44		52,59,792	
Less : Amount transferred to Central Government	..	52,62,722 44		52,59,792	
		—		—	
Add : Profit for the year	..	1,80,68,211 80		1,80,77,722	
Less : Appropriations made :					
To Reserve Fund	Rs. 39,00,000 00			38,65,000	
To Bonus to Staff	Rs. 96,00,000 00			89,50,000	
		1,35,00,000 00		1,28,15,000	
Balance to be transferred to Central Government in terms of Section 10(7) of Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970	..		45,68,211 80		52,62,722
	Carried over ..		6,26,58,69,156 44		5,19,77,70,728

United Commercial Bank

31ST DECEMBER, 1973

PROPERTY AND ASSETS		31st December, 1973			31st December, 1972	
		Rs. P.	Rs. P.		Rs.	Rs.
Brought forward	..			5,30,40,43,840 37		4,42,61,43,219
PARTICULARS OF ADVANCES :						
(i) Debts considered good in respect of which the Bank is fully secured	..	2,25,15,48,861 06			1,74,45,87,065	
(ii) Debts considered good for which the Bank holds no other security than the debtors' personal security	..	26,68,12,590 75			22,91,01,922	
(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	..	63,44,31,617 24			46,30,69,124	
(iv) Debts considered doubtful or bad, not provided for	..	—			—	
		3,15,27,93,069 05			2,43,67,58,111	
v) Debts due by directors or officers of the Bank or any of them either severally or jointly with any other persons	..	1,04,26,993 17			92,67,191	
(vi) Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members	..	—			—	
(vii) Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the Bank or any of them either severally or jointly with any other persons		1,06,22,162 53			92,93,073	
(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	..	—			—	
(ix) Due from banking companies, banks under Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and foreign banks	..	2,96,10,858 71			2,97,36,325	
6. BILLS RECEIVABLE BEING BILLS FOR COLLECTION as per contra :						
(i) Payable in India	..	32,09,74,434 78			25,59,93,088	
(ii) Payable outside India	..	9,75,32,342 34	41,85,06,777 12		8,74,98,432	34,34,91,52
7. CONSTITUENTS' LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS per contra	..		43,40,60,174 93			33,77,70,507
8. PREMISES LESS DEPRECIATION :						
Cost as per last Balance Sheet	..	3,07,96,575 22			3,07,01,705	
Adjustment on account of conversion at new parity rate of figures relating to foreign branches on realignment of the exchange rates during the year	..	5,92,442 14			—	
		3,13,89,017 36			3,07,01,705	
Additions Rs. 2,92,043 62						
Less : deductions during the year Rs. Nil	..	2,92,043 62			94,870	
		3,16,81,060 98			3,07,96,575	
Less : Depreciation to date	..	56,40,926 28	2,60,40,134 70		50,35,420	2,57,61,155
	Carried over ..		6,18,26,50,927 12			5,13,31,66,401

United Commercial Bank

BALANCE SHEET AS AT

CAPITAL AND LIABILITIES		*31st December, 1973*		*31st December, 1972*	
		Rs. P.	Rs. P.	Rs.	Rs.
Brought forward ..			6,26,58,69,156 44		5,19,77,70,728
10. CONTINGENT LIABILITIES:					
(i) On Partly Paid Shares	Rs. 61,80,930 00			57,94,640	
(ii) Claims against the Bank not acknowledged as debts	Rs. 1,38,49,043 84			1,44,55,393	
(iii) Guarantees given on behalf of Customers and Correspondent Banks	Rs. 52,26,08,083 71			56,01,57,974	
(iv) Bills of Exchange Rediscounted with the Industrial Development Bank of India and the Reserve Bank of India under New Bill Market Scheme	Rs. 12,34,98,849 13			9,54,46,469	
(v) Outstanding Forward Exchange Contracts	Rs. 48,63,96,476 97			25,43,18,005	

NOTES:

1. In accordance with the past practice, the Assets and Liabilities of the Foreign Branches (excluding Karachi branch) of the Bank including fixed assets and capital funds have been converted at the basic rate of exchange as on 31st December 1973.
2. The Assets and Liabilities of the Karachi branch of The United Commercial Bank Ltd., stand entrusted to the Bank on its nationalisation. Such Assets and Liabilities continue to vest in the Custodian of Enemy Property, Pakistan, and since no further information was available about the Assets and Liabilities in Pakistan after 27th August 1965, these have been incorporated in the Balance Sheet at their net book value (at pre-devaluation parity) as on that date.
3. (a) Branch Adjustment Account at Head Office has been reconciled upto 30th June 1970 and reconciliation upto 31st December 1973 is in progress. Reconciliation statements in respect of balances as on 31st December 1973 in the case of some branches and bank accounts are under preparation.
   (b) The tallying of balances in some accounts as per General Ledgers with those as per Subsidiary Ledgers/Registers/Detailed Statements could not be completed at a few branches: appropriate steps are being taken in this regard.
4. In accordance with past practice, a lumpsum provision for Rs. 10,00,000 has been made in these accounts for contribution to a Gratuity Trust Fund from which Fund gratuity payments are met. The actual liability on account of gratuity accrued for the year as well as the extent of the additional contribution to be made to the Gratuity Trust Fund to cover the total liability on account of gratuity as at 31.12.73 have not been ascertained.
5. Included in unsecured Loans, Cash Credits and Overdrafts (considered good) is an amount of Rs 1,97,88,016 24 due from several Coal Companies/Colliery owners in respect of which necessary claims have been lodged/will be lodged with appropriate Authorities under The Coking Coal Mines (Nationalisation) Act, 1972 and The Coal Mines (Nationalisation) Act, 1973. In the absence of adequate information, it has not been possible to ascertain the shortfall, if any, that may arise on the final settlement of these claims and accordingly, no provision has been made in these accounts in respect thereof.
6. Previous year's figures have been rearranged where necessary.

TOTAL Rs. ..	6,26,58,69,156 44		5,19,77,70,728

The above Accounts have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949.

V. R. DESAI (*Chairman*)

S. LAKSHMANAN, G. P. SINHA, S. D. PARELKAR, GOPINATH MOHANTY, PANNALAL DASGUPTA, NALINI AMBEGAOKAR, GURSARAN SINGH, D. N. GHOSH, UPEN BORDOLOI } *Directors*

Calcutta,
30th May, 1974

United Commercial Bank

31ST DECEMBER, 1973

PROPERTY AND ASSETS		*31st December, 1973*			*31st December, 1972*	
		Rs. P.	Rs. P.	Rs.	Rs.	
Brought forward ..			6,18,26,50,927 12			5,13,31,66,401
9. FURNITURE AND FIXTURES LESS DEPRECIATION: (including equipment and vehicles)						
Cost as per last Balance Sheet	..	6,17,80,757 54			5,61,41,606	
Adjustment on account of conversion at new parity rate of figures relating to foreign branches on realignment of the exchange rates during the year	..	4,48,609.52			—	
		6,22,29,367 06			5,61,41,606	
Additions	Rs. 67,92,291 76					
Less: deductions during the year	Rs. 2,34,647 73	65,57,644 03			56,39,152	
		6,87,87,011 09			6,17,80,758	
Less: Depreciation to date	..	3,54,77,715 86	3,33,09,295,23		3,09,02,653	3,08,78,105
10. OTHER ASSETS, INCLUDING SILVER:						
(i) Land and Buildings (under construction) Cost as per last Balance Sheet	Rs. 12,88,727 07				8,92,589	
Additions Rs. 22,37,296 33 *Less:* deduction Rs. Nil during the year	Rs. 22,37,296 33				3,96,138	
		35,26,023 40			12,88,727	
(ii) Interest accrued on Investments	..	1,98,80,956 44			1,62,41,253	
(iii) Advance payment of Income-Tax and Refunds due	..	2,57,88,848.60			1,35,05,454	
(iv) Stamps and Stationery	..	2,09,952 10			1,86,384	
(v) Silver	..	—			—	
(vi) Subscription for Investments	..	4,98,750 00	4,99,04,530 54		25,00,000	3,37,21,818
11. NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS: Land and Buildings (at cost)	..		4,403 55			4,404
12 PROFIT AND LOSS	..		—			—
TOTAL Rs. ..			6,26,58,69,156 44			5,19,77,70,728

As per our report annexed.

PRICE WATERHOUSE, PEAT & CO.
P. C. HANSOTIA & CO.
G. BASU & CO.
Chartered Accountants

J. B. SUTARWALA
Chief Accountant

B. D. DESAI
Dy. General Manager

United Commercial Bank

Profit and Loss Account for the Year Ended 31st December, 1973

EXPENDITURE		Year ended 31st December, 1973		Year ended 31st December, 1972
		Rs.	P.	Rs.
1.	Interest paid on deposits, borrowings, etc.	19,15,15,640	14	14,52,07,957
2.	Salaries, Allowances, Provident and Gratuity Funds	11,55,61,913	59	9,46,32,470
3.	Directors' and Local Committee Members' fees and allowances	12,900	00	13,350
4.	Rent, Taxes, Insurance, Lighting, etc.	1,39,11,818	40	1,12,18,609
5.	Law Charges	2,70,602	56	1,57,560
6.	Postage, Telegrams and Stamps	46,47,610	97	50,36,668
7.	Auditors' fees	4,73,048	95	3,95,610
8.	Depreciation on, and repairs to, the Bank's property	57,35,827	02	51,79,163
9.	Stationery, Printing, Advertisement, etc.*	71,63,135	82	62,05,598
10.	Loss from sale of, or dealing with, non-banking assets	—		—
11.	Other Expenditure	1,00,18,888	95	84,64,871
12.	Balance of Profit subject to Bonus	1,80,68,211	80	1,80,77,722

* Includes expenditure of Rs. 16,25,766.92 (Previous year Rs. 14,88,923) on Public Relations and Publicity.

Particulars of remuneration paid to Chairman and Managing Director:

1972			1973
Rs.			Rs. P.
45,000	(i)	Salary	45,000 00
3,750	(ii)	Bank's Contribution to Provident Fund	3,750 00
6,000	(iii)	Rent paid for Residential Flat	6,000 00
720	(iv)	Monetary value of perquisites calculated in accordance with Income-tax Rules—use of Bank's Car	720 00
2,311	(v)	Medical Aid	3,193 32
57,781			58,663 32

For notes refer Balance Sheet.

TOTAL Rs.	36,73,79,598 20	29,45,89,578

The above Accounts have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949.

V. R. DESAI (*Chairman*)
S. LAKSHMANAN
S. D. PARELKAR
PANNALAL DASGUPTA
GURSARAN SINGH
UPEN BORDOLOI
G. P. SINHA
GOPINATH MOHANTY
NALINI AMBEGAOKAR
D. N. GHOSH
Directors

Calcutta,
30th May, 1974

United Commercial Bank

the Year Ended 31st December, 1973

INCOME (*Less* provision made during the year for bad and doubtful debts and other usual or necessary provisions)		Year ended 31st December, 1973		Year ended 31st December, 1972
		Rs.	P.	Rs.
1.	Interest and Discount	32,44,52,838	10	25,83,60,227
2.	Commission, Exchange and Brokerage	3,95,19,923	58	3,40,21,318
3.	Rents	23,07,519	11	21,43,535
4.	Net profit on sale of investments, gold and silver, land, premises and other assets (Not credited to Reserves or any particular Fund or Account)	—		—
5.	Net profit on revaluation of investments, gold and silver, land, premises and other assets (Not credited to Reserves or any particular Fund or Account)	—		—
6.	Income from non-banking assets and profit from sale of, or dealing with, such assets	—		—
7.	Other receipts	10,99,317	41	64,498
8.	Loss	—		—
TOTAL Rs.		36,73,79,598	20	29,45,89,578

As per our report annexed.

PRICE WATERHOUSE, PEAT & CO.
P. C. HANSOTIA & CO.
G. BASU & CO.
Chartered Accountants

J. B. SUTARWALA
Chief Accountant

B. D. DESAI
Dy. General Manager

REPORT OF THE AUDITORS

THE PRESIDENT OF INDIA

1. We have audited the foregoing Balance Sheet of United Commercial Bank as at 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 47 branches audited by us, 303 branches audited by other auditors and unaudited returns in respect of 326 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 and Loss Account have been drawn up in forms 'A' and 'B' respectively of the Third Schedule of the Banking Regulation Act, 1949. Accordingly, they disclose such matters as were required to be disclosed in the case of banking companies prior to nationalisation by virtue of the provisions of the said Act as read with the related provisions of the Companies Act, 1956. Subject to the limitations of such disclosure and on the basis of the audit indicated in the first paragraph, we report that:—

(a) Subject to notes (2), (3), (4) and (5) on the Balance Sheet regarding Karachi Branch, Branch Adjustments, etc, Provision for Gratuity and Loans, etc, due from Coal Companies/Colliery owners respectively, in our opinion and to the best of our information and according to the explanations given to us and as shown by the books of the Bank.
  (i) The Balance Sheet read with the notes thereon is a full and fair Balance Sheet containing the necessary particulars and it is properly drawn up so as to exhibit a true and fair view of the affairs of the Bank as at 31st December, 1973.
  (ii) The Profit and Loss Account read with the notes thereon shows a true balance of profit for the year covered by the Account.

(b) Subject to notes (2), (3), (4) and (5) as aforesaid, 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 purposes of our audit.

lcutta,
May, 1794

PRICE WATERHOUSE, PEAT & CO.
P. C. HANSOTIA & CO.
G. BASU & CO.
Chartered Accountants

Less-Developed Countries and Private Foreign Investment

Sanjaya Lall

I

THIS paper is partly a review of an important new work by G L Reuber and associates on the economics of private foreign manufacturing investment in less-developed countries (LDCs),[1] and partly an attempt to examine some of the larger issues facing the study of such investment. Reuber's book is an interesting and provocative one, and in this essay I shall concentrate on the first 250 pages which contain the analytical sections, and which constitute a vigorous defence of foreign investment in LDCs. The book also contains 5 appendices on its structure and distribution, the characteristics of selected projects, the interview procedure and the sources and definitions of the data. The analysis is based on published and unpublished information as well as on direct interviews with about 80 investing firms, and claims to be a major contribution to our knowledge in this field.

"Private Foreign Investment in Development" is the first work which deals exclusively with the general problem of foreign investment in LDCs, and, as such, is destined to become a standard text in the field. The argument and methodology of the book seem academic and thorough, and its tone appears to be neutral and objective. The authors have, however, a large axe to grind: they are concerned to establish the benefits of foreign investment for LDCs, and to prove their case they summarily dismiss many valid criticisms of foreign investment; their conclusions are, moreover, derived from a set of value judgments which are not explicitly defined and which may be regarded as invalid or unacceptable by many groups affected by foreign investment.

A review of this book may, therefore, serve as an appropriate place to discuss some of the basic values underlying the study of foreign investment. Part II uses a simple taxonomy to highlight some of the important elements on which different approaches to foreign investment are based; Part III evaluates Reuber's work in terms of this taxonomy and in terms of his treatment of some specific issues related to foreign investment.

II

The analysis of the phenomenon of private foreign investment, and of its recent manifestation in the form of the multinational enterprise (MNE), has been undertaken by schools which represent every shade of political and economic belief. There is at present hardly any subject in economics which arouses so much controversy and such a variety of interpretation, the differences arising not so much from disagreements about the data (though these are also present) as from disagreements about fundamental values and definitions in the context of economic and political development. The approaches to foreign direct investment may, at the risk of some over-simplification, be grouped into six categories, three for it and three against.

A Pro-Foreign Investment

(i) At the extreme right of the spectrum lies the business-school approach. The essential characteristics of this approach are: an implicit belief in the moral and practical virtues of the free enterprise system; an acceptance of the existing distribution of income within and between countries; a disregard for the overall economic, political and social effects of an extension of the system to other countries; and, consequent on the above, prescriptions for government policy that centre on the well-being of business enterprises as opposed to all other groups, and call for an environment of stability and non-interference conducive to 'good business'. Business-school analysts not only provide firms with guides to greater efficiency, but also serve to rationalise and defend their evolving structure or practices to the outside world. There is an enormous collection of this sort of literature, ranging from purely organisational analysis to recommendations on how to counter expropriation, how best to use 'financial tools' to minimise tax burdens,[2] and how to plan the most profitable ownership strategies.

(ii) A more academic line of analysis which closely resembles the previous one but which explicitly formulates the economic theory involved may be termed the 'traditional economic' approach. While this is not at all concerned with the organisational and motivational analysis of foreign investors, the assumptions on which it is based lead to very similar prescriptions of *laissez faire* and maximisation of foreign capital flows.[3] These assumptions are the essential ones of the bulk of Western normative economics, and cannot be properly discussed here; however, the ones most relevant to foreign investment in LDCs are as follows:

(a) Foreign investment constitutes a net addition to investible resources in host countries, and as such raises their rates of growth. This is based on a further set of assumptions about the competitive nature of product and factor markets, mobility of factors between occupations, incremental capital-output ratios, use of capacity, and so on — in short, all the standard premises of 'growth model' economics, (usually with 'externalities' assumed absent).

(b) The pattern of growth which results is desirable. This presumes a host of specific conditions and values which underlie welfare economics, mainly that the market is the best determinant of economic and social welfare — thus the distribution of income reflected in the market is desirable, or, more subtly, is not the concern of economists at all, and that the preferences revealed are independently formed and the true indicators of 'welfare'. In the particular case of foreign investment in LDCs, the implications are that the products introduced and marketed, the tastes created, and the needs met, all benefit the countries, as long as the ventures earn profits.[4]

(c) The freeing of international trade and capital flows is conducive both to total world welfare and to the welfare of each individual country — another fundamental tenet, this time of trade theory. The assumptions required for this are similar to those mentioned above; in the case of LDCs the desirability of foreign investment is increased because of its integrative effect on host economies. The operation of foreign firms, especially of modern multinational firms, knits countries closer into the web of international commerce, both by (vertical and horizontal) economic integration and by the transmission of tastes, designs, ideas, and technology.

(d) Foreign investment also brings benefits which are not recognised in the orthodox literature, but which are central to much of the recent work on the subject. These concern the introduction of new technology, better management and organisation, superior marketing and sometimes cheaper finance. The beneficial nature of these contributions is generally taken for granted, though clearly the economic rationale is derived directly from (b) above, i e, it must be 'good' if it is profitable, even though the circumstances are very different from the perfectly competitive situation envisaged by the early welfare economists. The new schools of technology- and management-oriented analysts, whose roots lie partly in business schools, assume essentially that the free enterprise system as it operates in the leading capitalist countries represents the best form of economic and social organisation, and that its wholesale extension, including the forms of technology produced, the differentiation of products, the methods of advertising and selling, and the philosophy of corporate operation, to LDCs is *per se* desirable.

What has been termed the 'traditional economic' approach therefore embraces vast tracts of received economic wisdom as well as accretions of hard-headed business pragmatism. Since the free enterprise system is assumed to be the most efficient means of promoting well-being, the policies which are prescribed for LDCs naturally entail minimisation of controls, interference and public ownership. The recent proponents of this approach include Kindleberger (1969) and Vernon (1971), though sometimes exhibit features of (iii) below.

(iii) There are some analysts concerned with the oligopolistic, predatory and concentrated nature of MNEs who, while holding a basic belief in the desirability of foreign investment, recommend controls and official regulation; this may be called the 'neo-traditionalist' approach. Its proponents believe in the good, old-fashioned virtues of early capitalism and are worried by the giantism and power of the present MNE; they are more realistic than the real traditionalists in that they realise better the extent of change and the problems created, but they share the same fundamental economic values and believe in the same framework of analysis. The distinguishing characteristic of this approach is a free admission of the potential for a divergence of interest between foreign investors and host countries; the remedies range from setting up multinational political units to cope with MNEs (Goldberg and Kindleberger, 1970) and implementing various national measures (Behrman, 1970) to drastic reversals of policy to attack 'bigness' and restore competition (Bannock, 1971). In general, the proponents of this school take the MNE as the more powerful and lasting — and often more desirable — entity than the nation-state, and see the latter evolving to catch up with the former rather than any tendency in the reverse direction.

(B) Anti-Foreign Investment

(i) A shift of emphasis from the virtues of international capitalism (in some form) to those of nationally-owned development leads to the 'nationalist' approach. In this approach, the standpoint is usually that of the less-developed host country rather than of the investing firm or the capital-exporting country: the change is significant, because the basic virtues of the international free market system are brought into question and its various implicit values criticised. The main arguments of this approach can be summarised as follows:

(a) There may be various external effects of foreign investment which damage host economies, such as the suppression of domestic entrepreneurship, the effects on the economy of the importation of unsuitable technology and of unsuitable products, the extention of oligopolistic practices such as unnecessary product differentiation, heavy advertising, or excessive profit-taking, and the worsening of income distribution by a self-perpetuating process which simultaneously re-inforces high-income elites and provides them with expensive consumer goods. In a nutshell, the market no longer provides an infallible guide to national welfare.

(b) The cost of private foreign investment may be too high as compared to the next best alternative, even in the absence of external effects, because the foreign investor is able to extract monopoly profits or use superior bargaining power to gain concessions, or because there are costs inherent in the mode of operation, such as the introduction of unsuitable products or technology, or the misuse of transfer pricing and other tools to remit hidden profits, or the imposition of export restrictions and unfair marketing practices.

(c) The degree of integration with the international trading system implicit in allowing MNEs to enter an economy may not be acceptable either because LDCs may consider free (or freer) trade more damaging than beneficial to their economic growth, or because the pattern of production and distribution entailed by such integration may be regarded as undesirable.[5]

It should be noted that the nationalist school says little about the internal strategy of development (whether it should be socialist or capitalist). Its main emphasis is on minimising the cost and extent of foreign investment while extracting to the full its more suitable elements, especially technology, and it is assumed that the domestic industrialist class is capable to undertake and sustain a desirable pattern of growth and distribution. This leads to policy recommendations stressing stringent regulation of foreign investments, case-by-case bargaining, shopping around for better deals, and exchange of information between LDCs; some examples of this sort of approach are Streeten (1973), Streeten and Lall (1973), Vaitsos (1970).

(ii) The 'dependence' approach, which has its origins in Latin America, incorporates most of the features of the nationalist school, but stresses the broader ramifications of the whole capitalist development process of which foreign investment is one element. It analyses the social, political and economic consequences of the penetration of capitalist institutions and methods into LDCs, and concludes that the inherently dependent status of these countries can never permit real development. The greatest contribution of the dependence school is its broad perspective and its analysis of the internal political/economic forces which reinforce the historical dominance of the central capitalist countries. The remedies are seen, consequently, in sweeping changes in both external relations and internal power structures; in a very mild form, however, the prescriptions are not very different from those of the nationalists, while in an extreme one they come close to the Marxist school.

The conventional economic framework cannot accommodate the dependence approach: no amount of discus-

sion of 'externalities' and 'utility from nationalism' can capture its full implications. Though some dependence-school economists tend at times to give the impression that they are only employing orthodox economic tools, their most interesting reasoning, about the very *nature* of 'genuine development' and its contrast with dependent development, lies outside the scope of such tools. The dependence-school still has to formulate its analytical apparatus fully, but as it stands it does afford a novel standpoint to the subject, not quite Marxist and not simply nationalistic; Dos Santos (1970), Sunkel (1969-70), and Hymer (1972) may serve as good examples.

(iii) The Marxist approach to foreign investment is conducted more explicitly in terms of class conflict; modern Marxists (such as Baran, 1957) employ the concept of 'economic surplus' which in this context is extracted from LDCs by foreign investors. Where the dependence school talks of the dangers of dependence, this approach talks of 'neo-imperialism' and 'exploitation'; the analysis lies further outside the scope of conventional economics, and *all* the values of the capitalist system are under attack. The dependence school is concerned with *national* development, in which the final class-structure is left ambiguous, while the Marxist school is concerned with socialist development, in which the final class-structure is clearly defined, and it is one which is not attainable within the framework of the existing system of ownership within LDCs or within that of integration with the international capitalist system. The remedy is, therefore, seen as internal revolution and complete rejection of foreign capital. Recent Marxist analysts, such as Magdoff (1969) and Sweezy and Magdoff (1972), have advanced the theory of imperialism to take account of the emergence of MNEs and their effects on LDCs; in the particular context of LDCs, the work of Frank (1972) and Weisskopf (1972) has great value.

The six approaches sketched out above each embodies a different interpretation of economic reality, a different emphasis on certain aspects of that reality, and a different concept of the value and meaning of changes in it. Even given the basic premise that everyone wants to promote the well-being of LDCs and some measure of agreement on the hard data (investment flows, value of output, employment, growth rates, and the like), there is bound to remain a fundamental divergence in views about the desirability and contribution of foreign investment to LDCs. There cannot, in other words, be a 'value-free' or 'objective' assessment of foreign investment[6] — hardly an original or startling fact, but one which is often forgotten or hidden in the polemics that rage round the subject.

If there cannot be an objective assessment, and no consensus on any particular system of values is likely to emerge, how then should one set about discussing the problem? There are two possibilities: first, the values on which the analysis is based can simply be taken for granted as *a priori* postulates; or, second, they may be defined, rationalised and stated explicitly. In the first case, though the conclusions may be derived by legitimate logical steps from the premises and appear perfectly rational and acceptable to those who share those premises, the *real* argument is concealed and the debate cannot really begin. In the second, it can at least be seen *where* the disagreement lies, which does not by any means provide a solution but does represent some progress, if only in an intellectual or moral sphere.

Both pro- and anti-foreign investment schools have examples of the the concealed premises approach. The former, however, has used it far more because the values on which it is based are in the established tradition of Western economics. This does not make it any the less objectionable, because alternative systems have been proposed and tried, and because an unalloyed transfer of that system to less-developed nations, where the assumptions are not really valid and whose aspirations are not really taken into account, leads both to morally unjustifiable conclusions as well as to practical problems of hostility and incomprehension.[7] Ultimately, therefore, the practice of economics in LDCs cannot remain simply an 'economic' exercise but must step into the realm of politics; it it would be self-deception to pretend otherwise.

The general observations may be useful in understanding the nature of the present controversy about foreign investment in LDCs; they are also helpful in reviewing the book at hand, to which we now turn.

III

This section is a critical evaluation of "Private Foreign Investment in Development". Though it concentrates on the negative aspects of the book, mainly in order to redress its bias in favour of foreign investment, it is not intended to denigrate many of its positive qualities. The book contains a number of valuable facts about foreign investment in LDCs, and its analysis is clear and logical; it offers a welcome antidote to various vague and emotive debates on the subject, and opens up many possibilities for useful research. This being admitted, let us consider the other side.

"Private Foreign Investment in Development" stands firmly with one foot planted in approach (A)(i) (business school) and the other in approach (A)(ii) (traditional economic). Its business-school orientation derives from the fact that its original research is based almost entirely on interviews with and data given by the parent companies of firms investing in LDCs; there is no attempt to discover and present the viewpoints of host governments, locally-owned enterprises or even the local subsidiaries of foreign firms. Thus, a discussion of the motivation of the investors figures rather prominently, and the emphasis throughout is on their preferences, practices and aversions, as though these were more real and important than those of LDCs. The 'traditional economic' approach is more pervasive; Reuber tends to be even more 'traditional' than other present representatives of this school, and the basic assumption is that foreign investment provides a net increase in capital formation, raises output and employment, and is therefore beneficial, except for a strong qualification in cases where the investment is highly protected (for which the blame is put squarely on the host government's shoulders) and results in very low or negative value-added at international prices.

The 'traditional economic' beliefs are so firmly held that the entire structure of the reasoning and policy conclusions follow from them as self-evident propositions. The data adduced neither prove nor disprove the social desirability of foreign investment, since no attempt is made at a social benefit-cost analysis (despite strong recommendations that LDCs apply such techniques to foreign investment projects).[8] The argument basically proceeds by starting from a competitive model (with market prices measuring social values) and allowing for distortions (which are mostly the fault of government policies) in the form of tariffs, taxes and controls; foreign investors are seen as neutral providers of capital, expertise and technology, superior in all these to local alternatives; putting the two together, it follows that foreign investment is necessarily beneficial unless the host government has adopted incorrect policies.[9] Some harmful effects of foreign investment are discussed but are not taken very seriously; we return to these below, but Reuber's general case could really have been made much more briefly and without appeal to the rather spurious support provided by his data.

Criticisms of this sort of reasoning at the most general level have already been mentioned in the previous section. To what extent do market prices, corrected for the sort of 'distortion' mentioned above, measure welfare in LDCs? Is growth in per capita GNP at these prices really what LDCs should be striving for? If the pattern of consumption, technology, distribution of power and wealth are at all important, how much relevance does conventional welfare economics have? If the dependence school has a valid point to make, does it make sense to leave their reasoning completely out of account, simply because it is not 'purely economic'? An aspect of Reuber's which may be found especially unsatisfactory is the direct link assumed between the firm's profitability and the host country's welfare: is a less developed country's welfare really increased by 'market development' (high pressure sales tactics), product differentiation, oligopolistic market structures, transmission of certain types of technology which displace labour or lead only to frequent model changes? One could go on and on, but the basis of disagreement is clear, and concerns the values involved as well as the concealed premises of the analysis. Let us now briefly consider a few specific aspects of Reuber's treatment of foreign investment.

(a) Foreign investor-host government relationships. It follows logically from the framework of Reuber's analysis that government policies should aim at removing tariff, tax and direct control 'distortions' in LDCs, at encouraging the inflow of foreign capital, and at minimising specific controls on foreign investors. Over the long run the ideal situation would presumably be a fully integrated international production structure dominated by MNEs, with few or no government controls or national restrictions. A number of objections can be raised to this 'ideal' and to its policy implications. First, the conflict of interests between MNEs and LDCs may be much more serious than Reuber makes out. He avoids mentioning not only the extensive literature on the MNE-state conflict (such as Behrman, 1970, or Menderhausen, 1969), but also the ITT Chile fiasco, or the excellent political-economic study of India by Kidron, 1965 (though India is one of the LDCs covered by Reuber). He argues that foreign investors do not constitute a particularly strong pressure group, but ignores historical evidence from Latin America and the dependency and Marxist-schools' literature on this. Second, though the possibility of bargaining with MNEs is mentioned at several points Reuber in fact ignores this when considering policy. Proponents of the nationalist school argue, with reason, that strong controls are needed on every aspect of foreign investors' activities because of their oligopolistic powers, ability to transfer profits undetected, and numerous other damaging effects; and that, given the distribution of power and resources, it is possible for host countries to get a much better deal from them by tough bargaining than by doing nothing.[10] Third, by dismissing the desirability of control and bargaining Reuber also ignores any consideration of how an LDC's bargaining power can be improved, by means of collecting information, international co-operation, shopping around, and so on. This is a serious fault of the book, because it is here that LDCs' governments look most for guidance at the operational level.

(b) Transfer Pricing and Export Restrictions. These constitute serious practical problems in the operation of foreign enterprises. As far as export restrictions are concerned, Reuber brushes off the problem by saying, "Little evidence of such restrictions was uncovered in our survey" (p 163), and does not mention several studies in existence which have found such evidence (UNCTAD, various) in a number of countries; when favourable effects are concerned, of course, he quotes widely from the literature.[11] Similarly with transfer pricing, Vernon is quoted as saying that there does not appear to be a "systematic bias in favour of assigning the largest profits to the parent";[12] Vernon's statement is based on reports given by the MNEs themselves, and, moreover, is quite consistent with the proposition that LDCs as a whole lose *via* transfer pricing to developed countries (see Lall, 1973, and Vaitsos, 1970).[13] When he argues that there is not enough evidence, it may be answered that while it *is* very difficult to get evidence on transfer prices and their appropriateness, the few investigations which have taken place have *all* shown that transfer-prices are used against LDCs (UNCTAD 1971-b).

(c) Technology. Reuber draws a peculiar distinction between 'techniques', which are easily available internationally, and 'technology', which is new and under the control of MNEs; he then pays little attention to the former, which in fact comprises a major part of the technology (in the sense of productive knowledge) needed by LDCs, and argues that foreign investment is the best way to transfer the latter. Whether or not direct investment is preferable to licensing for LDCs is not proved; it is assumed on *a priori* grounds that the former is cheaper (mainly because MNEs prefer it). The real costs of technology transferred by direct investment, comprising a substantial element of profits and not only royalties and fees, are not compared to the costs of licensing. As for the problem of the appropriateness of the techniques transferred, the possibility of intermediate technology is summarily dismissed, and it is argued that the technology transferred by MNEs "seems as appropriate to the factor endowments found in LDCs as the transfers made through other channels", which begs the question of the real alternatives.[14] As with the general recommendations on government regulation, the potential for bargaining is minimised; this again is a pity, because the highly imperfect nature of the technology market and the weak position of LDCs in fact calls for a much more active role on part of their governments (see Streeten, 1972-b).

(d) Costs of Foreign Investment.[15] The net economic costs of foreign investment may be calculated by comparing it with the costs of the next best alternative. Reuber tends generally to assume that in the absence of foreign investment the project would not be undertaken at all, or, at least, much less efficiently; again, he simply assumes superior management and organisation on part of foreign firms on the basis of the fact that they find it easy to compete, ignoring their numerous oligopolistic advantages which may be much more significant in this respect. The fact that many projects actually run by foreigners could be just as well, if not better, run by local enterprises, the basis of the so-called 'Streeten dilemma',[16] is dismissed as resting on "special and highly implausible assumptions" (p 38). In fact, an empirical survey of a number of countries and foreign firms leads one to believe that there is nothing special or highly implausible about this (Streeten and Lall, 1973); undoubtedly a number of foreign enterprises could not be fully locally replaced, but, equally undoubtedly, a number could. An aspect of the financial cost of foreign investment which is not properly treated is that of local gearing. On page 213, Reuber misrepre-

sents the case of critics who argue that foreign investors put in relatively little capital of their own but gear themselves highly on local borrowing. He puts the argument (source unspecified) as relating to locally reinvested profits, while in fact that area of concern is local *borrowing*; he then proceeds to knock down the straw man. It may be of interest to note that for a sample of 56 firms in Colombia, foreign loans provided only 38 per cent of total loans, and that gearing, especially based on borrowing from local banks, had a significant correlation with profitability.[17] The higher the extent of local gearing, the higher, of course, is the profitability of the foreign capital invested; and investigations have shown that foreign investors try to gear themselves as highly as possible in their host countries.

Reuber's analysis is interesting and consistent — once the general premises are accepted — but it cannot claim to have contributed greatly to our understanding of the phenomenon to which it is addressed. No new analytical tools are forged, and most of the sample data adduced add little to the force of the argument. Large sections serve simply to review the literature in a highly selective fashion; the policy prescriptions are, at best, inadequate and, at worst, very misleading.

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Notes

[I would like to thank Deepak Nayyar and Paul Streeten for their comments and suggestions.]

1 Grant L Reuber, with H Crookel, M Emerson, G Gallais-Hammonno, "Private Foreign Investment in Development", Oxford, Clarendon Press, 1973, pp xiv, 371, £ 5.50. Prepared under the auspices of the OECD Development Centre, Paris.

2 A recent work which aptly illustrates these characteristics is by Robbins and Stobaugh (1973), who build a sophisticated model of how MNEs can greatly raise their profits by a better use of transfer prices and other financial channels. The fact that the loss from such 'revenue shifting' will be borne by host governments, and certainly by most host LDCs, is not considered relevant to the 'optimum strategy' proposed; even the use of technical euphemisms (in quotation marks) is intended to raise possibly objectionable practices to the status of efficient — and therefore desirable — business tactics.

3 With minor exceptions for the imposition of 'optimum' tariffs and taxes on flows of commodities and capital.

4 This would be qualified to "earned profits in an internationally competitive framework" if protection were introduced.

5 See, for instance, Stewart (1973) for a discussion of the undesirable effects of free trade on LDCs' technology and consumption patterns.

6 The place of value judgments in economics has been treated at great length in Myrdal (1968), especially in the Prologue and appendices 2 and 3.

7 "....studies of the problems of underdeveloped countries are now undertaken, not with a view to the universal and timeless values that are our legacy from the Enlightenment, but with a view to the fortuitous and narrow political or, narrower still, military-strategic interests of one state or bloc of states .... Sometimes its intention is stated, though not in the form of a reasoned presentation of specific value premises logically related to the definition of the concepts used. More often it remains implicit in the approach. This type of reasoning must often make the public and scholars in the underdeveloped countries irritated, as they naturally want their problems analysed from the point of view of their own interests and valuations." Myrdal, *ibid*, pp 8-10.

8 For an application and discussion of the limitations of such methods in the context of foreign manufacturing investment in LDCs see Lall and Mayhew (1973) and Streeten and Lall (1973).

9 For instance, in discussing the distributive effects of foreign investment, Reuber states: "The broad distributive effects of private foreign investment seem reasonably clear, assuming government policy to be the same after foreign investment occurs as before. In the long run, after all general equilibrium effects have worked themselves out, one may expect capital inflows to lower the real incomes of local capitalists and to raise the real income of labour and other complementary factors. Moreover, by enhancing the supply of capital available to the country and thereby reducing capital costs from what they would otherwise be, investment in industries and localities with less favourable access to capital markets becomes economically feasible. In addition, by keeping capital costs down foreign capital inflows make feasible more long term projects ... for which capital service changes ... are an important cost" (p 218). This paragraph graphically illustrates the model underlying the whole study; the reader may judge for himself its relevance to LDCs.

10 Reuber refers to local control as being "under the thumb of local governments and bureaucrats" (p 215).

11 For Canada, for instance, Safarian is often mentioned, while the Canadian Government's massive, and often critical study, of 1972, and Levitt, 1970, are completely ignored. Safarian is, as is to be expected, a solid 'traditional economist'.

12 Vernon, 1970, p 139.

13 Even the US Tariff Commission's massive study, 1973, which supports MNEs, says on page 133, "The chief strategy of tax minimisation by multinational companies is manipulation of transfer prices". Robbins and Stobaugh, 1973, conclude, "we foresee continued opportunity for MNEs to make extensive use of revenue-shifting tools, especially transfer pricing" (p 186): and they are business-school economists proper.

14 See Griffin, 1974, who makes a fascinating case that the whole process of the international transmission of technology worsens inequality between nations.

15 By costs I mean the cost to the host economy of having foreign investment rather than costs of production.

16 See Chapter 11 of Streeten (1972-a) where the implicit assumption of the sort Reuber makes is attacked.

17 Lall and Mayhew, 1973. A similar investigation of 21 firms in India and 9 in Iran with foreign majority equity holdings showed that foreign long-term borrowing comprised 28 per cent and 12 per cent respectively of total long-term borrowing (Lall and Elek, 1971).

Small Farmers' Development Agency

Experience in Surat District

Mahendra D Desai

The limited experience of the working of the Small Farmers' Development Agency programme in Surat district suggests that the strategy devised by the Agency for small and marginal farmers in the district is such that these farmers in the relatively backward areas would not be able to benefit much in the short run, whereas farmers in the relatively better-off areas would benefit substantially from the programme.

Even in the long run, to what extent the weaker sections in farming in the backward areas would gain from the programme would depend upon the efficient functioning of the infrastructure of the co-operative and other institutions which the SFDA is endeavouring to develop and on the availability of other infrastructural facilities which are a precondition of the success of activities, like dairying, development of which is considered to be strategic by the Agency for the betterment of the weaker sections in these areas.

In the light of the Surat experience, two general observations about the SFDA programme may be made. First, since the SFDA programme covers 'potentially viable' small farmers, it deserves to be considered whether the concept of viability should be uniform for all parts of the region or whether it should be determined with reference to the significant variations that might obtain within the region in such matters as customary standards of living.

Secondly, having formulated the appropriate strategy, the implementation of which would help small farmers become viable, the SFD Agencies must work out the financial as well as other requirements of putting the programme through. Having worked out the full financial implications of the goal of making small farmers viable, the programmes can be phased out over a few years, keeping in view the availability of financial resources.

AMONG the measures and programmes that have been specially designed to improve the economic conditions of the small farmers, the Small Farmers' Development Agency Programme, which currently covers 46 districts in the country, is remarkable in more than one respect. For the first time, a programme for the exclusive benefit of this weaker section has been formulated. Secondly, the assistance under the programme is to be extended not only to

farming but also to other activities which might help small farmers raise their incomes (e g, dairying, poultry, soil conservation, household industry etc). Thirdly, these are separate Agencies in the 46 districts whose business it is to formulate and execute the programme. The Agencies are registered corporate bodies, fully autonomous and free from the control of the Central or state governments. The scope for the efficient functioning of the Agencies should therefore be considerable. Most of the Agencies were set up in 1970-71, but they really got off the ground only during 1971-72. Though it is not possible as yet to undertake a comprehensive evaluation of the SFDA programme, some aspects of the working of the Agencies may be examined in order to understand their *modus operandi* and their implications. An attempt has been made on a limited scale in this note to study the working of the Small Farmers' Development Agency in Surat District, Gujarat.

Organisational Set-up

A unique feature of the SFDA programme is that it is sought to be carried out with the help of the existing developmental machinery and by utilising the existing institutional framework though a small nucleus staff functions at the Agency headquarters. Accordingly, in Surat district, the technical staff includes, besides the Project Officer, two Assistant Project Officers — one each in co-operation and agriculture. Actually, there is provision for three posts of Assistant Project Officers, the third post being for a specialist in animal husbandry. But in Surat the Agency has appointed two relatively junior-level 'Veterinary Extension Officers' in place of the third Assistant Project Officer.

The Project Officer directs and co-ordinates the formulation and implementation of the Agency's programmes at the taluka level. Besides, the Project Officer is responsible for the formulation of schemes intended to benefit the small farmers of the entire district or a group of talukas.[2] One of the important functions of the Project Officer is to involve the financial institutions such as the commercial and co-operative banks, the district level marketing organisations, etc, in appropriate programmes and so to make available to the small farmers facilities which were hitherto unavailable to them.

Out of the two Assistant Project Officers (APO) the one who specialises in co-operation acts as the co-ordinating officer of all taluka-level extension officers (co-operation) and keeps track of their work. The APO (agriculture) looks after both agriculture and animal husbandry in the programme. Like the APO (co-operation), he also co-ordinates the work of extension officers (agriculture) in the talukas of the district. In addition, he is entrusted with the function of making surprise and random checks on the benefits received by the small farmers for agricultural and animal husbandry programmes. The APO also provides technical guidance to the small farmers in all matters pertaining to agriculture and animal husbandry.

In order to guide the Agency officials and to take policy decisions, a district-level Governing Body has also been constituted. The chairmanship of the Governing Body is held by the District Development Officer, and the Project Officer of the SFDA is the Governing Body's member-secretary. Among the members of the Governing Body are district-level officers of all the departments which are associated with the work of the SFDA, a representative of the Union Ministry of Agriculture, and two non-officials. Besides these regular members, there are special invitees, who include local MLAs and MPs, representatives of the commercial banks, and the State Bank of India operating in the district, etc. Thus the Governing Body represents all the institutions and interests involved in the development of the district. The Governing Body takes appropriate decisions, provides guidelines, and recommends ways of removing the difficulties in implementation. The fact that the District Development Officer is the chairman of the Governing Body has been very helpful in effective implementation of the Agency's programme, because the development works in the district are carried out directly under his supervision by the Taluka Development Officers (TDO), who also act as the Project Officers of the SFDA at the Taluka level.

As seen above, the Agency has only a nucleus staff at the district level. The Agency does not take upon itself the task of implementing its programme in the talukas of the district — because that would mean either duplication when there are other development agencies and hence needless waste of resources, or becoming rivals to the existing developmental agencies. By utilising the existing developmental machinery for the Agency's programmes, the benefits, it is believed, can be spread to a large number of people, since the Panchayats can implement their own and the Agency's development programmes in a co-ordinated manner.

Thus the Agency has involved the Taluka Development Officers in the implementation of its programmes in the district. Indeed, the Taluka Development Officers are vested with full powers to implement the programmes in their respective talukas. They are empowered to take decisions as to whom and to which activities the benefits should be provided. The TDOs are not even required to obtain the Agency's permission for these decisions though they may, on their own, refer a problem to the Agency for guidance. This arrangement means that the funds of the SFDA are placed at the disposal of the TDOs and not the Taluka Panchayats. Thus, the arrangement is expected to enable utilisation of the Taluka Panchayat funds and the SFDA funds in a co-ordinated manner, while avoiding the interference of the Taluka Panchayats in the implementation of the SFDA programmes. As it actually happens, Taluka Panchayats do take into account the benefits likely to become available from the SFDA for their talukas and accordingly devise their own programmes. It is claimed that the above arrangement for implementation of the SFDA programmes at the taluka level has reduced red tapism to the minimum. The other two SFD Agencies in Gujarat have recently emulated the above pattern.

Identification of Beneficiaries

The general experience of a number of schemes which have been aimed at providing relief or benefits to the weaker sections has been that it is somehow the better-off sections who get the lion's share of even these schemes. Since the programmes undertaken by the SFDAs were intended for the exclusive benefit of the small and, to a lesser extent, of the marginal farmers, identification of these was the first vital step in the functioning of the Agencies. In Surat — as also in the other two districts of Gujarat covered by the SFDA programmes — the 'ownership holding' as recorded in the Talati's records has been taken as the main basis in identifying of beneficiaries. Farmers holding lands between 2 and 5 acres, have been defined as Small Farmers,[3] and those holding less than 2 acres have been defined as Marginal Farmers — irrespective of whether the lands are irrigated or not. However, since the Talati's records are imperfect and since there are considerable time-lags between the changes in land-holdings and their recording, the Agency in Surat has added the following provisos to the land ownership criterion: (i) Members of the family staying and cultivating lands jointly, should not be treated as small farmers even if they have lands on their individual names within the limits prescribed for identification. (ii) If a farmer possesses lands at different places and if his total land holding exceeds 5 acres, he should not be treated as a small farmer. (iii) As a converse to (i) above, it is provided that, if members of one family are staying separately and are cultivating lands individually, and if their lands are within the limit prescribed for identification, they should be recognised as small farmers — even if, on the revenue records, lands cultivated by them appear in the name of only one of the members.

There is, however, one lacuna in the identification procedure adopted by the Agency. The Agency also takes into account assets such as milch animals, irrigation equipment, and other income-generating assets, along with the land holdings of farmers. Yet, the likely income from these assets is not taken into account while deciding the eligibility of the farmers for assistance. Indeed, a small or marginal farmer is entitled to benefits under the Agency's programme even if one of his family members earns a fair amount of salary (upto Rs 800 per month), or if he runs a cottage or household industry. It is argued that, while identification of beneficiaries by the income-criterion would be ideal, it is a difficult task.

On the basis of the village records, the Agency had first identified about 32,000 small farmers. Later, with the application of the above provisos and with on-the-spot verification of the numbers originally identified, carried out by the extension officers and TDOs, the numbers of the identified small farmers came down to 29,089.* The numbers of marginal farmers identified by the Agencies is 18,193.* It is possible that, in spite of such checks, certain discrepancies or anomalies might still persist. But the Agency evidently decided to draw the line at this stage. The Agency has printed taluka-wise lists of the identified farmers, giving essential background information, and has supplied the list to all the other concerned agencies and institutions so that when a farmer applies for assistance, his eligibility for the same can be easily established.

* These figures are as on August 31, 1973.

Table 1: Number of Identified Small and Marginal Farmers in the Three Taluka Groups of Surat District

Taluka Group	Number of Identified Small Farmers	Number of Identified Marginal Farmers
Advanced	6240 (21.4)	5405 (29.7)
Average	7058 (24.3)	6162 (33.9)
Backward	15791 (54.3)	6626 (36.4)
All talukas	29089 (100.0)	18193 (100.0)

Note: Figures in brackets denote per cent share in total.

On the basis of data pertaining to 13 indicators of agricultural development, a recent study classified the 13 talukas of Surat district into 'advanced', 'average' and 'backward', according to the level of agricultural development attained by each of them.[4] For convenience of analysis and presentation, we shall follow the above classification in the discussion to follow.

The numbers of identified small and marginal farmers in the three taluka groups are as shown in Table 1.

Thus the numbers of small and marginal farmers, together in the three groups of talukas, are: Advanced — 11645 (24.6 per cent), Average — 13220 (27.9 per cent), and Backward — 22417 (47.5 per cent).

Enrolment of Identified Farmers in Co-operatives

As important as a proper identification of the potential beneficiaries is the task of enrolling such of these beneficiaries in the co-operative institutions as have not been brought under the co-operative fold — since the benefits to the small and marginal farmers are to be channelled through the co-operatives. We may, therefore, briefly mention the achievement of the Agency in this direction.

Out of the 29,089 identified small farmers, as many as 11,884 were members of co-operative institutions prior to the establishment of the Agency. By August 31, 1973, 7,926 other small farmers were enrolled as members of multi-purpose or service co-operatives, thus bringing the total number of small farmers brought under the co-operative fold to 19,810. The number of marginal farmers who were already members of co-operatives before the establishment of the Agency was 7,321; by August 31, 1973, 1,728 more marginal farmers had been enrolled as members of co-operatives.[5]

Programmes and Their Formulation

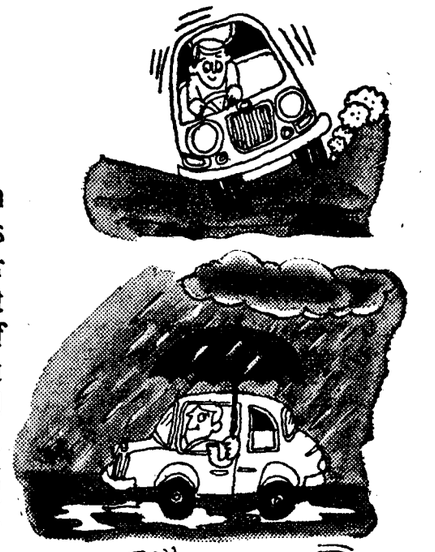
The programme of the Agency consists mainly of providing direct assistance to the small and marginal farmers and of strengthening and/or creating institutions which would benefit these farmers. Direct assistance to small and marginal farmers takes the form of subsidies on expenditure which these farmers might incur for developing their agriculture or supplementary activities, such as dairy, poultry, etc. Assistance to institutions is provided to help them improve their working (e g, through strengthening managerial or supervisory cadres), providing better facilities of marketing (e g, storage, transport, etc), or for covering risk involved in financing small and marginal farmers.

The Agency has prepared a working plan entailing an estimated expenditure of Rs 160 lakhs for the entire project period. Out of this amount, the Agency has so far prepared definite programmes requiring Rs 130 lakhs; the remaining Rs 30 lakhs have been kept as reserves to be utilised in the other new programmes which the Agency will formulate later. The details of the programmes prepared together with the financial allocations made for them are given in Table 2.

The Agency emphasises development of dairying and improvement of marketing and storage facilities. These two programmes account for a little over 55 per cent of the estimates of expenditure to be incurred during the entire project period (Rs 130 lakhs). Development of agriculture, through soil conservation, horticulture, bunding, use of insecticides and pesticides, and minor irrigation would take up only about 21.5 per cent of the estimated expenditure; the strengthening of the credit co-operatives, through which small and marginal farmers are to receive assistance, is another important plank of the programme. Finally, the Agency has allocated nearly Rs 5 lakhs for assisting rural artisans through provision for training and for purchase of raw materials, and tools and equipment.

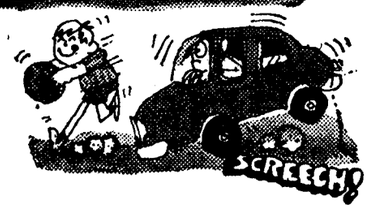
Seen from a somewhat different angle, the programmes to assist individual

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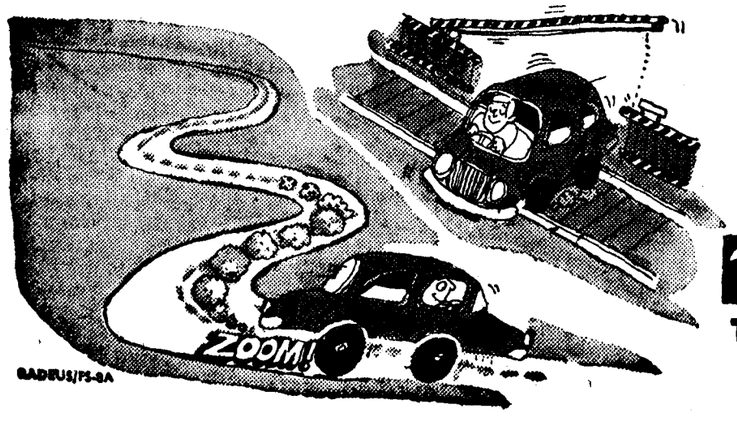
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beneficiaries take up Rs 78 lakhs, or a little over 60 per cent of total estimated expenditure; financial assistance to institutions will entail an expenditure of around Rs 43 lakhs, or about 33.4 per cent of total estimated expenditure. Among the first category of programmes, assistance for development of dairying

TABLE 2: SUMMARY OF THE WORKING PLAN OF SFDA, SURAT

(Figures denote estimates of financial expenditure to be incurred under the SFDA Programme)

(Rs in lakhs)

Sr No 1	Name of the Scheme 2	Individual Item 3	Total for Major Head 4
I:	*Agriculture:*		
	(a) Soil Conservation	0.37	
	(b) New Kyari Bunding	4.00	
	(c) Horticulture (supply of fruit grafts)	1.00	
	(d) Improved Agricultural Implements	1.00	
	(e) Insecticides and Pesticides	6.00	
	(f) Plant Protection Appliances	2.50	
	(g) Demonstration Plots	1.00	15.87 (12.3)
II:	*Minor Irrigation:*		
	(a) Dug Wells	6.00	
	(b) Deepening of Wells	0.50	
	(c) Oil Engines, Electric Motors and Pumping Sets and Persian Wheels etc.	5.70	12.20 (9.4)
III:	*Animal Husbandry and Dairying*		
	(a) Milch Cattle	40.00	
	(b) Supply of Poultry Units	1.60	
	(c) Cattle Sheds	0.60	
	(d) Chilling Plant, Cooling Cabinets etc.	9.00	51.20 (39.6)
IV:	*Strengthening of Co-operatives:*		
	(a) Share capital (Loan)	1.50	
	(b) Managerial subsidy to service and functional co-operative societies	2.40	
	(c) Subsidy for supervisory staff of Surat District Central Co-operative Bank (DCCS) and Land Development Bank (LDB)	2.64	
	(d) Risk fund contribution to co-operative societies, DCCS and LDB	5.80	12.34 (9.6)
V:	*Marketing and Storage:*		
	(a) Subsidy for construction of Godowns	2.50	
	(b) Subsidy on transport vehicles to co-operatives	7.00	
	(c) Assistance to Poultry Societies	0.70	
	(d) Interest rebate subsidy to Primary Agricultural Credit Societies at 2 per cent	2.50	
	(e) Assistance to Market Committees	8.00	20.70 (16.0)
VI:	*Custom Services:*		
	(a) Land Development	0.50	
	(b) Purchase of costly Agricultural Equipment, Tractors, etc.	2.00	2.50 (1.9)
VII:	*Supply of Bullock and Carts*	2.50	2.50 (1.9)
VIII:	*Rural Artisans and Workshops:*		
	(a) Stipend to Trainees (Raw Materials, Tools and Equipments)	4.30	
	(b) Rural Workshops	0.67	4.97 (3.8)
IX:	*Administration Expenses* (Including Publicity)	7.10	7.10 (5.5)
GRAND TOTAL			129.38 (100.00)
Amount Reserved for New (Unspecified) Schemes to be prepared			30.62
Total Financial /Expenditure for the Project Period.			160.00

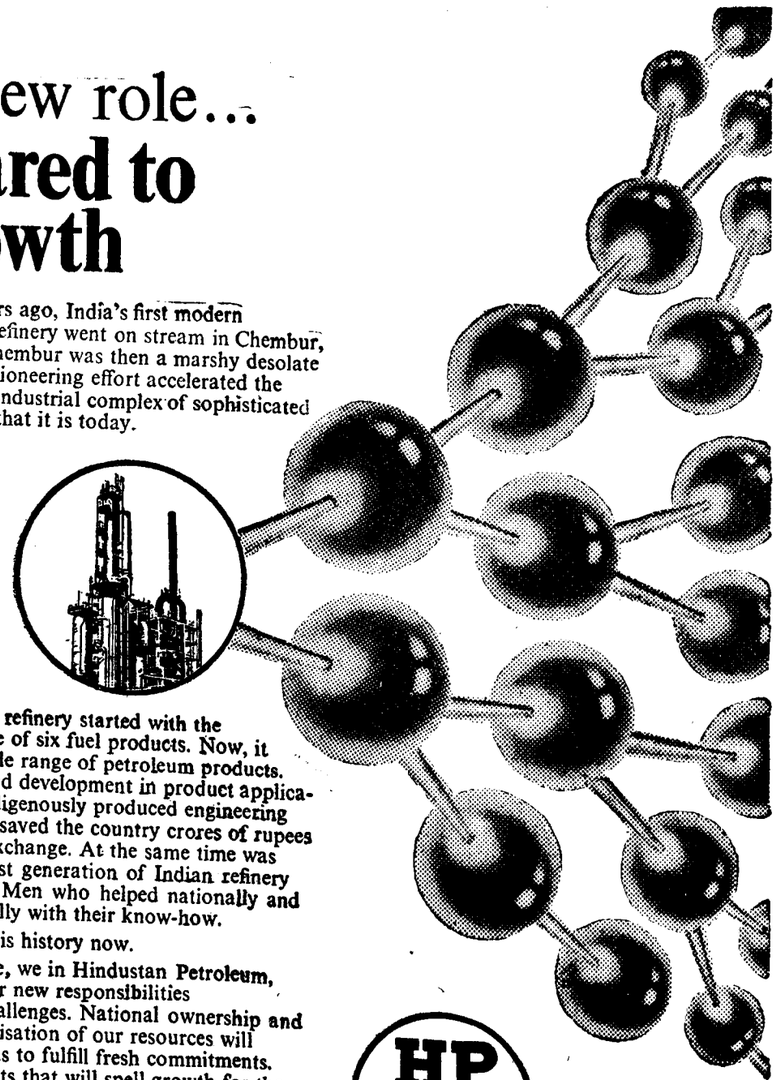
Note: Figures in brackets indicate percentages to total expenditure.

claims the lion's share, (Rs 40.60 lakhs); of this, Rs 9.00 lakhs is for the SUMUL dairy for establishment of a chilling plant and cooling cabinets so as to give a fillip to dairying in the backward eastern talukas of the district, a subsidy of Rs 7.00 lakhs is for transport vehicles purchased by co-operative societies, and assistance of Rs 8.00 lakhs is to Agricultural Produce Market Committees for development of market yards and other ancillary facilities.

Some observations about the allocations to dairying and to strengthening of marketing co-operatives may be made. As stated earlier, the justification for providing large financial assistance to the SUMUL dairy is the expected benefit to the small and marginal farmers in the agriculturally undeveloped talukas in the eastern part of the district, through development of dairying which is expected to be facilitated by the chilling plant and cooling cabinets. It is true that the scope for development of agriculture in these talukas is limited, because of the adverse physical conditions characterised by rocky soil and forests. But, judging from the present state of dairying in these talukas, the development of dairying will also be an extremely difficult task. People in these talukas are not well-versed in dairying; their management practices in regard to livestock are primitive; they cannot afford to provide the kind of concentrates and and other feeds which would be essential for making dairying a profitable proposition. It is, therefore, anybody's guess as to how long and how much effort it will take on the part of the official agencies to make dairying the lever of economic development — as the SFDA is apparently hoping it will become in these areas. Secondly, there are other aspects of infrastructural development, besides assured marketing facilities, without which development of dairying cannot take place. These include transport facilities, veterinary aid, and extension of knowledge about dairying practices. As regards transport facilities, it is important to have all weather roads for transportations of milk throughout the year; secondly, there should be a satisfactory arrangement for transporting milk from the villages to the cooling cabinets and chilling plant.[6] In regard to availability of roads, the five talukas in the eastern part are ill-developed as can be seen from the statistics of road-length (pucca) per 100 sq km of geographical area in respect of each of them; the road-length (pucca) per 100 sq km is 11 km each in Valod and Vyara, 10 km in Son-

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gadh, 6.5 km in Uchhal and 7 km in Nizar; in the Mandvi and Mangrol talukas, in which also dairying is expected to develop because of the establishment of the chilling plant, the road-length is 10 km per 100 sq km. In the absence of adequate road facilities, the capacity of the chilling plant might remain underutilised; this danger is all the greater in the monsoon, which is quite heavy in the district which also has many small rivers and rivulets. With respect to veterinary aid, in addition to the normal facilities of veterinary dispensaries which are available in the talukas, the SFDA has appointed two Veterinary Extension Officers who are stationed at Valod and Mandvi, and who look after the entire 'hinterland' in which dairying is to be developed. Obviously, in areas where dairying is as yet largely undeveloped, its development on scientific and commercial lines would necessitate more satisfactory veterinary aid than is available under the above arrangement; this is more so in the eastern talukas of Surat district where the people are not quite familiar with dairying and dairy animals. For the same reason, provision of satisfactory and efficient extension service in dairying is an essential prerequisite for development of dairying in the area.[7] Of course, the SFDA alone cannot be expected to ensure provision of the above essential infrastructural facilities, but if these are to be developed as part of the normal planning process, dairying may not develop as well as might have been anticipated by the SFDA. If this analysis is valid, the assistance of the Agency for the chilling plant, and, more importantly, the strategy of the Agency to develop dairying as an important means to raise the income and employment levels in the backward eastern talukas would appear to be not wholly sound.

The other important activity which accounts for a sizeable financial allocation is the assistance to co-operative societies for purchase of transport vehicles. The societies which deal in pooling and marketing of agricultural produce of their members and supply of inputs to their members are eligible for a subsidy of 50 per cent of the capital investment in trucks and other carriers of goods (subject to the maximum of Rs 30,000) — provided they agree to do the work of small farmers at the rate of 25 to 50 per cent of the usual freight charges. It may be noted that trucks purchased under this scheme are not to be used *exclusively* for transporting goods of small farmers; nor is there any specification as to the capacity of the carriers to be utilised for small farmers. In the relatively well-developed talukas of the district, small farmers also grow such commercial crops as cotton, banana, and sugarcane; however, it can be easily imagined that the relatively large farmers will benefit more than the small farmers. Though the small farmers who have marketable surplus are able to transport their goods at concessional rates, the advantage which the schemes might incidentally provide to large farmers would be considerable.[8]

Barring the emphasis on dairying and on strengthening of co-operative institutions in the relatively backward parts of the district, the programmes formulated by the Agency reflect a general, rather than selective, approach; the Agency, for example, could have formulated some programmes of forest-based activities for the far-eastern talukas of the district such as Songadh, Uchhal and Nizar, in which development of dairying as well as agriculture has limited scope. Of course, the Agency has included a special item of assistance to small farmers of these talukas, *viz*, subsidy for purchase of a pair of bullocks and a bullock cart, which would help them raise income through hire of these assets. The programme, however, is quite small, and it would have been better if the Agency had supplementd it by other similar programmes, keeping in view the local conditions and scope for development of activities suited to these conditions. Not only would such programmes have a greater chance of success, but their benefit too would be more quickly felt than those of programmes like dairy development.

Programme Formulation at Taluka Level

The programmes for individual talukas are formulated keeping in view the broad strategy devised by the Agency for the different parts of the district. These programmes are prepared annually by the Taluka Development Officers. Considerable discussion between the Project Officer of the SFDA, and the TDOs and Taluka Pramukhs, precede the preparation of programmes and estimates of expenditure for a year. If necessary, further discussion on the size and nature of programmes is held among the above parties before these are finalised. In this way, the Agency seeks to have its strategy implemented leaving scope, at the same time, for local involvement in the formulation of the programmes. The involvement of TDOs — who are the implementing agency — at the formulation stage of programmes, gives them the feeling of greater participation and responsibility in the execution of the programmes.

It is noteworthy, however, that as

Table: 3 Estimates of Financial Expenditure on Major Heads of SFDA Programme for the Period June 1971-March 1973, for the Three Taluka Groups

(Rupees in lakhs)

Major Head	Advanced Talukas	Average Talukas	Backward Talukas	Total
1. Agriculture	4.65 (48.60)	2.26 (23.64)	2.66 (27.76)	9.57 (100.00)
2. Minor Irrigation	6.09 (34.14)	5.18 (29.03)	6.57 (36.83)	17.84 (100.00)
3. Animal Husbandry and Dairying	7.78 (27.98)	13.75 (49.45)	6.27 (22.57)	27.80 (100.00)
4. Strengthening of Co-operative Institutions	1.60 (34.64)	1.44 (31.49)	1.54 (33.67)	4.58 (100.00)
5. Marketing and Storage	2.24 (40.49)	1.96 (35.38)	1.33 (24.13)	5.53 (100.00)
6. Custom Services	0.15 (35.50)	0.16 (37.28)	0.11 (27.22)	0.42 (100.00)
7. Rural Artisans	0.75 (26.71)	0.88 (31.24)	1.19 (42.05)	2.82 (100.00)
Total	23.26 (33.92)	25.63 (37.35)	19.67 (28.70)	68.56 (100.00)

Note: Figures in brackets indicate percentage share in total.

the conditions of successful implementation are usually more favourable in the relatively progressive talukas than in the relatively backward talukas, more ambitious plans are prepared and implemented in the progressive talukas than in the backward ones. This, as we shall presently see, is borne out by the experience of the working of the SFDA programme in Surat district, and it has important implications for achieving the most important objective of the programme — *viz*, helping the small and marginal farmers to raise their incomes.

Information on the programme in each of the 13 talukas of Surat district is available for the 22 months from June 1971 (when the implementation of the SFDA programme really began) to March 1973; data about the implementation and progress achieved in these programmes are available for the 19 months, from June 1971 to December 1973 (see Table 3). The following analysis is based on these data.

An examination of the financial estimates of expenditure entailed by the programmes for the three groups of talukas shows that, out of total estimated expenditure of about Rs 68.5 lakhs for all the talukas, the share of the backward talukas is only about 29 per cent. The corresponding percentages for the advanced and the average talukas are: 34 and 37, respectively. Further, the relative shares of expenditures for the individual benefit of small and marginal farmers are, generally speaking, low in the backward talukas. As far as expenditure for improvement of agriculture is concerned, the relative small shares of the backward areas in total estimated expenditure on such programmes are understandable; but, surprisingly, even in respect of estimates of expenditure for dairy development (on which the SFDA puts considerable stress and hope), the backward talukas have been allotted a proportionately small expenditure; out of a total estimated expenditure of about Rs 25.80 lakhs for all talukas on this programme, the share of the backward talukas is only 22.7 per cent.

The share of the backward talukas in estimates of expenditure for infrastructural development such as subsidies for godowns to marketing societies (33.7 per cent), loans for share capital contribution of new members to be enrolled in co-operative institutions (44 per cent), subsidies for managerial cadres of co-operative institutions (38 per cent), are somewhat large. But even in this field of infrastructural facilities, the estimates of expenditure for items like risk fund contribution to co-operative credit institutions, subsidy to co-operative societies for purchase of transport vehicles, are proportionately low for the backward talukas — which claim 19.5 per cent and 21 per cent, respectively, of the total estimates of the expenditure on the above two items in all the talukas.

TABLE: 4 STATEMENT SHOWING ACHIEVEMENTS OF THE SFDA, AS ON 30TH JUNE 1973

Sr No	Item	Actual Expenditure (Rs in lakhs)	No of Beneficiaries	
	I : Individual Beneficiaries			
A:	*Agriculture*:			
	Supply of Fruit Grafts	0.42	3191	
	Insecticides and Pesticides	2.40	3933	
	Improved Agricultural Implements	0.15	735+1	society
	Plant Protection Appliances	1.92	1636+7	societies
	Demonstration Plots	0.64	499	
	New Kyari Bunding	0.25	278	
	Soil Conservation	0.01	40	
B:	*Minor Irrigation*:			
	Dug Wells	2.15	263	
	Deepening of Wells	0.33	60	
	Pipe Line	0.04	15	
	Oil Engines, Electric Motors	2.34	290	
	Persian Wheels	Negligible	2	
C:	*Animal Husbandry*:			
	Milch Cattle	19.82	5074	
	Supply of Poultry Units	0.31	102	Units
	Cattlesheds	0.02	8	
	Poultry Feed	0.04	7	
D:	*Custom Service*:			
	Land Development	0.01	31	
E:	*Storage and Marketing*:			
	Supply of Bullock and Carts	1.51	526	
	Rebate on Interest at 2 per cent	0.59	3379	
E:	*Rural Artisans*:			
	Stipend to Trainees/Subsidy on Raw Materials, Tools and Equipments	2.34	655	
H:	Enrolment of Membership	0.92	8580	
	Sub-Total	36.21		
	II : Institutional Beneficiaries			
1	Managerial Subsidy to Primary Societies	1.18	162	
2	*Subsidy for Supervisory Staff*			
	Surat District Central Co-operative Bank	1.73	1	
	Land Development Bank	0.74	1	
3	Dairy Co-operative (Chilling Plant to SUMUL dairy)	6.00	1	
4	Subsidy for Godowns	0.47	9	
5	Subsidy for Transport Vehicles (Trucks)	5.55	20	
6	Assistance for Market Yards	4.00	6	
7	Supply of Tractors to Co-operatives	1.28	13	
8	Rural Workshop	0.10	1	
9	Risk Fund Contribution to Co-operative Institutions	2.65	274	(including District Co-operative Bank and Land Development Bank)
10	Assistance to Co-operative Poultry Farming Societies	0.11	2	
11	Assistance to Co-operative Farming Society	0.10	1	
	Sub-Total	23.91		
	III : Establishment			
	Establishment Expenditure	3.03	—	
	Grand Total	63.15		

Thus there are appreciable differences in the magnitude of the Agency's efforts between the relatively developed and the relatively backward parts of the district. The SFDA authorities need to ensure that the programmes for the relatively backward talukas are so devised — both in terms of priorities and financial allocations — that they may help in making a success of the strategy of development evolved by them. Specifically, programmes in the backward talukas as well as in average talukas, might put greater emphasis on dairy development and building of infrastructure necessary for this. Otherwise, the large investment of the Agency *via* the subsidy to the SUMUL Dairy would fail to serve its real purpose.

PROGRAMME IMPLEMENTATION

As stated earlier, the real working of the SFD Agency started in June 1971. The data about its achievements are available for the two years ending June 30, 1973, for the Agency as a whole; the corresponding data for individual talukas are available only up to December 31, 1972. We examine below the progress in implementation of programmes on the basis of these two sets of data.

Progress of the Agency:

During the first two years of its working, the Agency spent Rs 63.15 lakhs or 39.5 per cent of the total financial estimate for the project period. This expenditure made possible the achievement of the following important physical targets: provision of milch cattle to 5,074 farmers; digging of 263 wells; installation of 290 pumpsets; supply of plant protection appliances to 1,636 farmers; supply of agricultural implements to 735 farmers; setting up of 102 poultry development units; organisation of one poultry farming co-operative society; share capital contribution (on loan basis) for 8,580 farmers; supply of transport vehicles to 20 co-operative societies; assistance to 162 primary co-operative societies for strengthening managerial cadres; subsidy to 9 co-operative societies for construction of godowns; assistance to 655 persons for their training in rural arts and crafts; supply of pairs of bullocks and carts to 526 farmers. (For details, see Table 4.)

When the expenditure incurred and the physical achievements are related with the respective targets for the entire project period, some schemes are found to have progressed quite briskly while the pace of progress of the others has been slow.

Among the schemes which have shown relatively quick progress are certain items under 'agriculture' (horticulture, insecticides and pesticides, plant protection appliance and demonstration plots), 'minor irrigation' (dug wells), 'animal husbandry and dairying' (milch cattle, chilling plant, etc), share capital contribution to co-operative societies, subsidy for supervisory staff for Surat District Central Co-operative Bank and District Land Development Bank, risk fund contribution to co-operative institutions, subsidy for purchase of transport vehicles and costly agricultural equipment such as tractors, and assistance to rural artisans.

Among the schemes which are progressing rather slowly are those of soil conservation and the new Kyari bunding, cattle sheds, supply of poultry units, and subsidy for irrigation equipment.

It can be seen that, among the relatively fast progressing schemes, a good many are those which benefit institutions (some of which do not carry any direct obligation to help small or marginal farmers): Subsidies to co-operative institutions for better managerial and supervisory staff, assistance by way of risk-fund contribution, and assistance to the SUMUL Dairy for establishment of chilling plant etc fall in this category. Achievement of financial progress in these types of schemes is relatively easy.

The other types of schemes, in which progress has been relatively quick, are such as would benefit individuals rather soon. Beneficiaries are ready to make necessary investment of their own (and become eligible for the SFDA subsidy) in 'quick-maturing' and relatively safe lines such as milch cattle or use of insecticides or pesticides or purchase of plant protection appliances or schemes listed under rural artisans programmes. It is noteworthy that progress is somewhat slow in schemes like building cattle-sheds, poultry units, soil conservation, kyari bunding, improved agricultural implements, etc, benefits of which are not immediately available, or require greater support and extension work.

By and large, however, most of the important items of the programme such as have been undertaken are progressing quite satisfactorily. To what extent they would eventually make any significant dent on the problem of poverty and unemployment of the weaker sections, is difficult to gauge. The nature of the strategy evolved by the Agency is such that, apart from the efforts by the beneficiaries themselves to make the most of the facilities directly offered to them by the Agency, the real impact on the incomes of the weaker sections would depend considerably upon the observance, by various institutions, of the spirit in which the Agency was designed to provide certain benefits to them, e g, assistance for transport, vehicles, for purchase of tractors, construction of godowns contribution towards share capital of small and marginal farmers.

Secondly, as in the case of preparation of estimates on programmes, the execution of the programmes and hence the magnitude of their impact on poverty and employment would also depend a good deal upon the efficiency and involvement of the respective Taluka Development Officers. We may, therefore, examine the extent to which the programmes were implemented in the different talukas.

Progress of Programmes in Talukas:

The programmes, which were finalised for the different talukas, and for which the estimates of expenditure for the two years were prepared, could not be implemented in full. As on December 31, 1972, the actual expenditure on the various programmes for all the talukas taken together was a little less than 54 per cent of the estimates prepared for the two years. Among the three categories of the talukas, the progress in terms of expenditure was relatively more in the case of the agriculturally advanced talukas (63 per cent), followed by backward talukas (nearly 50 per cent); in the case of average talukas the expenditure in the first two years was 48 per cent of the estimates prepared by the respective talukas. Thus, there were considerable shortfalls in expenditure compared to the estimates prepared for the first two years in the case of average and backward talukas. Even in the case of advanced talukas the shortfall in expenditure was of the order of 37 per cent (see Table 5).

A detailed examination of the progress of the programmes in the different talukas shows that, except for items intended to develop or create infrastructural facilities to indirectly help small farmers, the pace of implementation in the backward talukas has been generally slower — in as subsidies for agricultural programmes, minor irrigation, and animal husbandry — as compared to the progress achieved in the case of rela-

TABLE 5: ACHIEVEMENTS OF THE SFDA PROGRAMME IN THE THREE TALUKA GROUPS DURING THE PERIOD JUNE 1971-DECEMBER 1972, IN TERMS OF ACTUAL FINANCIAL EXPENDITURE ON MAJOR HEADS

(Rupees in lakhs)

Major Head	Advance Talukas	Average Talukas	Backward Talukas	Total
1. Agriculture	2.00	1.26	0.64	3.90
	(51.25)	(32.38)	(16.37)	(100.00)
2. Minor Irrigation	1.39	1.19	1.28	3.86
	(36.10)	(30.81)	(21.09)	(100.00)
3. Animal Husbandry and Dairying	7.04	5.76	3.40	16.20
	(43.44)	(35.55)	(21.01)	(100.00)
4. Strengthening of Co-operative Institutions	0.92	0.85	0.70	2.47
	(37.21)	(34.39)	(28.40)	(100.00)
5. Marketing and Storage	2.60	2.02	2.85	7.47
	(34.79)	(27.04)	(38.17)	(100.00)
6. Custom Services	0.28	0.50	0.30	1.08
	(26.35)	(46.11)	(27.54)	(100.00)
7. Rural Artisans	0.47	0.77	0.64	1.88
	(24.85)	(40.99)	(34.15)	(100.00)
Total	14.70	12.35	9.81	36.86
	(39.88)	(33.50)	(26.62)	(100.00)

Note: Figures in brackets indicate percentage share in total.

tively advanced and average talukas. In the backward talukas, the actual expenditure on agricultural programmes worked out to 24 per cent of the financial estimates for the programme for the period ending March 31, 1973; the corresponding percentages in the case of advanced and average talukas were 43 and 55.8, respectively. The actual expenditure on minor irrigation programmes in terms of the financial targets was 19 per cent in the backward talukas, against 23 per cent each in the advanced and average talukas. In respect of provision of milch cattle, while the advanced talukas exceeded the target (106 per cent), only 60.6 per cent of the estimated target expenditure could be incurred on the programme in the backward talukas; in the average talukas, the corresponding percentage was 48.2. We have already pointed out that, the estimates of expenditure prepared by the backward talukas are generally on the lower side as compared to the estimates prepared by the other talukas. The slow pace of progress in terms of even financial expenditure would imply that the implementation of the programmes in the backward talukas is progressing at a fairly slow pace. This is especially true of those schemes for which subsidies are given directly to the beneficiaries.

The comparison of backward talukas with the advanced talukas becomes relevant because, as we have shown earlier, 47.5 per cent of the identified small and marginal farmers reside in these talukas. Unless the effort of the Agency in these talukas is sufficiently intensive, the impact on poverty and unemployment in the district as a whole may remain small and confined mostly to the economically better parts of the district. From this point of view, it would be interesting to examine the proportionate shares of the actual expenditure on the various items in the two years in the three groups of talukas. An analysis of the relevant data reveals that the direct benefit of subsidies available to identified beneficiaries has been availed of to a considerably larger extent by the beneficiaries in the advanced talukas. This is particularly so of most items included under the head 'Agriculture' and 'Animal Husbandry' and 'Dairy'. The relative shares of the three groups of talukas in total expenditure incurred in all the talukas on the agricultural programmes during the period under review were 51.2 per cent in the advanced talukas, 32.4 per cent in the average talukas, and 16.4 per cent in the backward talukas; the corresponding percentages in the case of the animal husbandry and dairying programmes were 44.4, 35.6 and 21 per cent in the advanced, average and backward talukas, respectively. In the case of minor irrigation, the benefit of the subsidies has been availed of by the beneficiaries in the three groups of the talukas in nearly equal proportions.

Even in the case of programmes intended to develop or create infrastructural facilities, the share of backward talukas in the total expenditure incurred by all talukas is not proportionately large in the case of most of the items. Their relative shares in the total expenditure under the broad heads, "Strengthening of Co-operative Institutions" and "Marketing and Storage", were 28.4 per cent and 38.1 per cent, respectively.

Further evidence of the disproportionately large benefits of the SFDA programme having gone to the advanced areas, is provided by the proportions of small and marginal farmers who have actually received the benefits for one or more items (see Table 6). It is clear that the proportion of small and marginal farmers who have received the benefit of the programme is smaller in the backward talukas compared to in the advanced talukas; secondly, the proportion of actual beneficiaries who have been assisted for more than one item is also considerably large in the advanced talukas than in the backward (and also average) talukas.

The above examination would suggest that as in the case of similar other programmes, the benefit of the various programmes undertaken under the SFDA is availed of more by beneficiaries in the agriculturally advanced areas of the district than by their counterparts in the backward talukas. This is in spite of the fact that only about 25 per cent of the beneficiaries are in the advanced talukas against 47.5 per cent in the backward talukas.

Secondly, the above examination also shows that even those programmes which are intended to benefit the weaker sections in the backward areas (such as those of dairy development) are not progressing as fast as they should; since the strategy evolved by the SFDA for helping the weaker sections in the backward areas emphasises dairy development, intensive efforts to promote dairying on reasonably scientific lines would now seem to be imperative.

CONCLUSIONS

The limited experience of the working of the SFDA programme in Surat district would suggest that the strategy devised by the Agency for small and marginal farmers in the district is such that such farmers in the relatively backward areas would not be able to benefit much in the short run, whereas such farmers in the relatively better-off areas would benefit substantially from the Programme in the short run. Even in the long run, to what extent the weaker sections in farming in the backward areas would gain from the implementation of the Programme would depend, to a very considerable extent, upon the efficient functioning of the infrastructure of the co-operative and other institutions which the SFDA is endeavouring to develop and on the availability of other infrastructural facilities which are a pre-condition of the success of activities like dairying, development of which is considered to be strategic by the Agency for the economic betterment of the weaker sections of these areas. The Agency must ensure that its efforts in these directions are commensurate with the dimensions of the problems; indeed, large concentrations of the small and marginal farmers in the backward areas would make more intensive efforts imperative there if a significant dent on the problems of low incomes and inadequate employment of the weaker sections in the district as a whole is to be made.

In the light of the Surat experience, two general observations about the SFDA programme may be made.

"The aims of the SFDA are to identify the problems of small farmers in its area, prepare appropriate programmes, help to ensure availability of inputs and services and credit, and evaluate the progress from time to time.[9] Since the SFDA covers 'potentially viable' small farmers, the fulfilment of the above aims would hopefully make them viable. It is a moot point whether the concept of viability (which is not clearly spelled out anyway) should be uniform for all parts of the region or whether it should be determined with reference to the significant variations that might obtain within the region in such matters as customary standard of living.

Secondly, having formulated the appropriate strategy, the implementation of which would help small farmers become viable (whatever might be the concept of viability), the SFD Agencies must work out the financial as well as other requirements to put through the programme. At present, the given financial resources are allocated by the Agencies among the different activities but in this process, the physical target fixation is constrained by the availability of resources. It would be better instead to work out the *full* financial implications of the goal of making small farmers viable and then phase out the programmes over a few years, keeping in view the availability of financial resources from period to period. It is in this context that the point made earlier about the fixation of norms of viability of small farmers in different parts within a region becomes relevant.

TABLE 6: NUMBER OF BENEFICIARIES AND NUMBER OF ITEMS FOR WHICH ASSISTANCE RECEIVED BY BENEFICIARIES (UPTO THE 31ST AUGUST 1973) IN THE THREE TALUKA GROUPS

Taluka Group	Total Number of Identified Small and Marginal Farmers	Number of Actual Beneficiaries	Number of Small and Marginal Farmers Assisted for	
			One Item	More than One Iem
Advanced	11645	2931	1760	1171
	(100.0)	(25.1)		
Average	13220	3470	2671	799
	(100.0)	(26.2)		
Backward	22417	3317	2630	687
	(100.0)	(14.7)		
Total	47282	9718	7061	2657
	(100.0)	(20.5)		

Note: Figures in brackets are percentages.

Notes

[This paper is an outcome of a part of a research project on Rural Development undertaken by Professor M L Dantwala. This study was conducted by the author at his instance and in collaboration with him. The information about the SFDA Programme appearing in this paper was very kindly provided by the Project Officer, SFD Agency, Surat.]

1 Gujarat state has three of the 46 districts in which the Small Farmers' Development Agencies have been set up. These are: Sabarkantha, Junagadh and Surat. In these districts, the Agencies were registered towards the end of 1970. But the first few months were spent in setting up the office and in finalising the procedures. In Surat district, the real functioning of the Agency started only in June 1971.

2 An instance of the latter type of schemes is provided by the recently concluded efforts to induce the co-operative dairy at Surat (SUMUL) to locate a chilling plant at Bajipura, about 45 km east of Surat and for erecting two cooling cabinets near Songadh and Nizar, which are expected to give a fillip to dairying in the eastern talukas in which the scope for developing agriculture is rather limited. The Agency will provide subsidy of Rs 9 lakhs (50 per cent of the total cost) to the Sumul Dairy for this purpose.

3 The corresponding range of owner ship holding is 2 to 8 acres in the Junagadh district and 2 to 5 acres in the Sabarkantha district.

4 See, Pathak, Mahesh T, Maheridra D Desai and A S Charan: 'Development of Agriculture in the Backward Regions of Gujarat — Facts and Issues', *Artha-Vikas*, Volume IX, Numbers 1 and 2, January-July, 1973. The talukas included in the three groups are as follows:

Advanced	*Average*	*Backward*
Choryasi	Olpad	Mandvi
Bardoli	Mahuva	Mangrol
Kamrej	Valod	Vyara
Palsana		Songadh
		Uchhal
		Nizar

5 The number of small and marginal farmers who were enrolled as members in co-operative institutions after the establishment of the Agency in the three groups of talukas is as follows:

Taluka Group	*Small Farmers*	*Marginal Farmers*
Advanced	3196	447
Average	1235	481
Backward	3495	800

6 It may be pointed out that one of the conditions governing the subsidy given to the SUMUL dairy is that until milk co-operatives are set up in these talukas, the SUMUL will be responsible for transporting milk from villages to cooling cabinets or the chilling plant.

7 Under the Intensive Cattle Development Project, currently being implemented in the district, 70 stockman centres have been set up to provide veterinary aid to dairy farmers in the six backward talukas. Roughly one stockman caters to 10 villages and 1,000 cattle. The stockmen do not possess advanced technical knowledge or qualifications about veterinary aid or extension.

8 According to the information provided by the Project Officer of the SFDA, the societies which have been given assistance under this scheme have already provided benefit worth Rs 59,000 to small farmers in the form of concessional freight/charges and rebate on interest on loans.

9 See, "Small Farmers Development Agency — Central Sector Scheme"; Farm Information Unit, Directorate of Extension, Ministry of Food, Agriculture, Community Development and Co-operation, (Department of Agriculture), New Delhi, March 1971.

Traditional Communist Parties

Lajpat Rai

Conformity has slowly become a 'Marxist' habit and Lenin's imperative for communists to think boldly, speak boldly and act boldly has been thrown overboard.

Their total allegiance to the orthodoxies consecrated in Moscow and in other centres of state power has interrupted every reflex of critical thought. Parroting meaningless phrases, mouthing outworn cliches and indulging in sterile quotation-mongering, the traditional communists have emerged as nothing more than comprador intellectuals living off the crumbs of other people's thoughts.

WHAT ails the traditional communist parties? What has led to their slow transformation from revolutionary vanguards into defeatist staffs, shorn of all fighting spirit and absolutely incapable of seizing power? What has led to their disorientation — their search for respectability, their opportunistic alliances with the bourgeoisie, their giving up the ghost even of revolutionary pretence? What has prompted revolutionaries like Fidel Castro to brand them as "spurious vanguards" and declare that revolutions shall now be made "with or without party"? The defeat of the Communist-Socialist candidate in the recent French elections and the disastrous events in Chile added a further sense of urgency to such questions.

Of the factors responsible for the situation, the corrupting influence of economism injected into the working class movement by the communists and others stands out prominently. The traditional communists stress the role of the organised working class. According to them the peasant is basically petty-bourgeois because his main concern is obtaining land for himself. The worker on the other hand is not tied to the factory or place of work; he has nothing to lose but his chains and hence can be genuinely proletarian in his way of thinking. But thanks to the poison of economism the worker's desire for higher wages and worldly possessions has acquired over time, petty-bourgeois overtones. Besides, modern capitalism still has some dynamism left in it which permits it to create enough social mobility to generate the myth of overall mobility, especially in the industrially advanced countries. By giving into demands for higher wages and better working conditions (recouped through higher prices and added efficiency, etc), the capitalist can and often does reinforce the reformist, Fabian aspect of the labour movement, thus corrupting the proletarian consciousness of the workers. The peasant's demand on the other hand can only be satisfied by such total restructuring of the economy that it necessitates full-scale revolution. There is not much one can promise the landless, exploited peasant besides land, which is a revolutionary demand, whereas the worker's demands for higher wages, better working conditions, etc, can be met within the existing framework of capitalism and the union leadership can gain a strong following simply by promising and obtaining shorter hours of work, higher wages, bonuses, none of which is especially revolutionary.

It is this false sense of growing prosperity and the rising standard of living of unionised labour which has deradicalised the working class. The trade union has become the culminating agency in the deradicalisation of the workers. It is now as inbuilt in the system as the corporation and almost as readily acceptable to the capitalist class. And as the unions become more powerful their vested interests in the existing order increase proportionately. The leadership acquires satisfaction in terms of money, influence and honour. Soon it begins to have a separate interest from the rank-and-file — it no longer stands for the working class, but for the union organisation's own instinct for survival, the specific interests of the organisation's top leadership, and finally, the narrow sectarian interests of the communist party which supplies leadership to the trade union. (The CPI's role in the recent railway strike is a case in point.)

Precisely because of this the communist leadership is trapped in the economist well of its own digging. It must constantly agitate for trade union demands, and since it keeps winning them (except when they are declared unreasonable by a 'socialist' prime minister), it must keep making such demands lest it loses hold on the workers now accustomed to fighting only for bread-and-butter issues. As the communist party becomes more and more respectable, more and more "patriotic", more and more Fabian, so does the labour organised under its wings and *vice versa*. The next step in the process is elections, positions of responsibility and finally a big respectable party like in France and Italy, complete with a bureaucratic establishment housed in a palatial building, a private telephone exchange, official cars, a string of newspapers and other such paraphernalia that are associated with a "national party" whose worries extend from keeping the economy afloat to the defence of the bourgeois constitution.

Minions of the Establishment

Placed in this situation, though they are strong and disciplined, the communist parties cannot even envisage seizing power except through the ballot box. Instead of acting as the vanguard of the proletariat, they not only abandon their revolutionism, they become a part of the Establishment. The French Communist Party is a classic example. It generally speaks with two voices, combining Leninist ideological phrases with electoral reformist practices — during May 1968, when the French bourgeois establishment was in danger of being overthrown, the party's language and practice became one, all in defence of the established order. The Western proletariat is thus deprived of its glorious battle-flag. Strong communist parties such as those of France and Italy, whose powerful influence no one can deny, are brought to an unthinkable condition in which instead of organising the seizure of power by taking advantage of favourable conditions, they have preferred to co-operate with the bourgeoisie in the consolidation of the capitalist economy, all in the name of peace, peaceful transition and other repugnant phrases that make up the present ideological arsenal of the traditional communist parties. This has made most of Europe, where the first socialist revolution exploded with an elemental force shaking the world, and where more such explosions were predicted, a safe haven for the free and unfettered development of capitalism.

In the third world, the communist parties which were once the focal point of the liberation movements are no more so. These movements have now a tendency to bypass the communist parties, to evolve outside them, without them and sometimes in opposition to

them. The only socialist revolution in Latin America — the Cuban — totally bypassed the Communist Party, which did not initiate the event, but only rallied to it at the end after opposing it in its initial stages. Elsewhere in the continent great social forces are unfolding themselves creating an explosive situation in which the traditional communists have a marginal role or no role at all. In black Africa, where the people are locked in struggle with colonialism and neo-colonialism, the communist parties are almost non-existent. The communists from only a tiny segment of the great movements in the Portuguese colonies, often held in suspicion by other sections within the movements. Amilcar Cabral, leader of the PAIGC, on more occasions than one had to tell the communists some home-truths. Similarly in the Arab world, the socialist movement is bypassing the communist parties who have often to trail behind this or that reactionary regime for sheer survival. In Asia the communist movements — except in Vietnam and North Korea — have either been decimated as in Indonesia or split asunder as in Japan, Burma and India.

Another factor which has led to the disorientation of the communist parties is their pathetic subservience to the leadership of the CPSU. When Fidel Castro declared that the duty of a revolutionary was to make the revolution, the traditional communists looked the other side for they have always accepted another definition of a 'revolutionary' supplied to them by Joseph Stalin 35 years ago which said: "A revolutionary is one who is ready to protect and defend the USSR without reservations, without qualifications, without wavering, unconditionally ... In the unconditional support and defence of the USSR lies the true essence of internationalism." And it is not the defence of the USSR against foreign oppression alone. It is the defence of the totality of the internal and foreign policies of the Russian State and the CPSU, including its mistakes and aberrations, its purges and persecutions, its highhandedness against other parties (Yugoslavia, China), even its aggression against brother socialist countries (Czechoslovakia). By accepting this perverted definition of a revolutionary, the traditional communists have emerged in a new light. From the vanguard of the world revolution, they have become more or less the pacifist frontier guards of Soviet Russia, a mere appendage of the successive Soviet bureaucracies defending Stalinism as a creed when Stalin lived, supporting the "deStalinisation" of Khrushchev when he occupied the seat of power in the Kremlin denouncing him when he was overthrown and now proclaiming the revisionist line of Brezhnev and company as the eternal truth. No Soviet bureaucracy was ever wrong so long as it controlled the CPSU and the Russian State. And plague be on the homes of those who dare criticise the official line current at the moment; they overnight change into "anti-Soviet", "anti-communist reactionaries" and "supporters of US imperialism". This abject falling in line of the communist parties before the successive Soviet bureaucratic groupings has cost the movement dear.

Sartre was not exaggerating when he remarked that the "allies of the communists in the United Fronts do not heed as much the programme of the party as how the wind blows from the Kremlin". In India, Indira Gandhi knows the direction of the wind from the Kremlin and finds no difficulty in roping in the communists in defence of her 'socialist' bastion, unmindful of what a Bhupesh Gupta or a Dange may occasionally say about the "capitalist path" or "yielding to the Right", etc. All this adds up to making the communist party a counterfeit political force, a distortion of the idea of a revolutionary party, a parody of a working class party, which is not only not indispensable for revolution but entirely superfluous to it, and sometimes even harmful to revolutionary advance.

Undemocratic Character

A third factor which has led to dissimulation of the communist parties and their isolation from the revolutionary broad stream is their undemocratic character. Lenin organised the Bolshevik Party on the principle of democratic centralism whose purpose was to combine internal democracy with unity and discipline. However, the content of the Bolshevik Party has been distorted through Stalinism. Stalin overthrew democratic practices within the Communist Party in the Soviet Union and succeeded in transforming it into an instrument of his own domination and that of the bureaucracy he headed. Stalinist parties elsewhere began to be characterised by an almost total lack of internal democracy, an increasingly disciplined and hierarchical membership. They ceased to be parties of the people and became political elites which used all means available to modern dictatorships to enforce the "dictatorship of the proletariat" in the socialist states. The functions of the party were merged with those of the administrative apparatus till they were indistinguishable. This resulted in the emergence of totalitarianism, obsession with command, mania for governing through political and administrative fiat carried to unheard of extremes and to vanity, intolerance, domination of influence and privilege. In such a system the political leadership looks down on the party and non-party masses as perpetual minors without minds of their own, incapable of deciding for themselves what they can and should know, what they can and should do. The identification of the leading role of the party with the ruling position of an elite group creates a situation in which the party is controlled by a ruling minority which claims the exclusive right to speak on behalf of the party mass which just fulfils the function of a transmission belt, and society is split into two groups, an anonymous majority and its manipulators.

In such a system the working class ceases to play a political role and becomes isolated from its natural allies, the peasantry and the intelligentsia. While the ideology of the leading role of the working class is promoted to the level of a state religion, any genuine activity of the workers is reduced to a minimum. It has now become obvious to all, except the traditional communists, that the working class cannot play a political role in a socialist system without freedom of the press, freedom of expression and information. Without these democratic rights it is blocked within the horizon of one factory or workshop.

As for the peasantry and the intelligentsia, they hardly play any political role in the present-day socialist states — the former being confined to their farms and the latter to their libraries. Thus the old slogan of the alliance of the working class, peasantry and intelligentsia has been reduced to a meaningless cliche. The ideal of the party-state bureaucracy is a closed society based on the sectarian limitation of various classes and rationing of information. This deprives each of these classes of its individuality and transforms each into a politically uniform and expressionless mass.

It is this travesty which led a revolutionary like Fidel Castro to say: "We want to liberate man from dogmas and free his economy and society without terrorising or binding anyone. We have been placed in a position where we

must choose between capitalism which starves people and (bureaucratic) communism which resolves the economic problem but suppresses the liberties so greatly cherished by man."

This dilemma facing revolutions can be resolved only by democratising the communist party from base upwards, by providing safeguards for the rights of dissenting minorities within the party — their right to be heard by the entire membership, their right to circulate documents on the same basis as the leadership's documents and in general to organise legitimate campaigns based on their policies to take over the leadership. This dilemma can be resolved by democratising the existing socialist societies, where the party should not enforce its authority, but win this authority again and again by sustained and continuous party activity. It should not enforce its line by means of directives but by the work of its members and by the truthfulness of its ideals. There are, however, no indications that such efforts are likely to be made.

Cretinous Conformism

Another ailment from which the traditional communist parties suffer is their incapacity for independent thinking. Conformity has slowly become a 'Marxist' habit of thought and Lenin's imperative for communists to think boldly, speak boldly and act boldly has been thrown overboard. Their total allegiance to the orthodoxy consecrated in Moscow has interrupted inside their brains, as it were, every reflex of critical thought. Parroting meaningless phrases, mouthing outworn cliches and indulging in sterile quotation-mongering, the traditional communists have emerged as compradore intellectuals living on the crumbs of other people's thoughts. They claim they have the monopoly of revolutionary truth as revealed in the holy books and manuals. This has also resulted in putting a strait-jacket on ideas and smothering the critical spirit which is so essential to effective revolutionary action. Disgusted with the "cretinous conformism" of the Cuban and Latin American communists, Fidel Castro exploded with titanic wrath on the Soviet leaders and the communist parties. He refused to accept the so-called "self-evident truths" traded about by the communists and asked for the renewal of Marxist literature.

Attacking the traditional communists and their "famous thesis" about the role of the national bourgeoisie, Castro declared: "Meaningless phrases are bad, of course, but so are the supposed meanings of certain phrases ... there are those that are forty years old — the famous thesis concerning the role of the national bourgeoisie, for example. How hard it has been to become convinced that this idea does not apply on this continent; how much paper, how many phrases, how much empty talk has been wasted waiting for a liberal, progressive, anti-imperialist bourgeoisie."

Denouncing the "covent-like narrowmindedness" and "bigotry" displayed by the communists, Castro said: "And they believe that they have a monopoly on revolution or on revolutionary theory. And poor theory how it had to suffer at their hands; poor theory how it has been abused and how it is still being abused!" Castro clinched the issue by advising revolutionaries to think with their own heads and not to take anything for granted, not to consider anything as sacred: "And we shall always think with our own heads and if we make mistakes we shall make our own mistakes ... how hard it is to make other people's mistakes!"

FROM THE CHAIR

Our responsibility lies, not only in understanding the issues involved in the prevailing chaotic conditions, but also putting forth our own effort to ameliorate the situation*

***Extract from the Address of Managing Director, Shri Hari Shankar Singhania.**

ADDRESS of Shri Hari Shankar Singhania, Managing Director, at the 35th Annual General Meeting held on Friday, the 19th July, 1974:

Ladies and Gentlemen,

I am very happy to extend you all a warm and hearty welcome to the 35th Annual General Meeting of the Company, convened to discuss Statement of Accounts and the Directors' Report for the year ended on the 31st December, 1973. With your permission I would like to take them as read.

As well-informed citizens, you are all aware that a not-so-happy situation is prevailing in the economy marked by shortages of all essential commodities and soaring prices. We know that our responsibility lies, not only in understanding the issues involved in the prevailing chaotic conditions, but also putting forth our own efforts to ameliorate the situation. This is a gigantic task but in our own humble way we must set out in a manner to help the realisation of the supply targets of the Paper industry at the national level. Looking at the problems confronted by the Paper industry from many sides, this does not appear to be an easy task. I would like to identify and discuss with you some of the obstacles in the way of your and other companies in the Industry which are responsible for the state of affairs.

First I would like to refer to the last year's performance and future plans of your Company and then go to the general issues of the Paper industry.

Performance in 1973

The sales and other incomes during 1973 at Rs 12.84 crores were nearly Rs 3.25 crores higher than the previous year's earnings. Production went up to 40,721 tonnes during the year from 36,549 tonnes in 1972. But for the power-cut of 40 per cent imposed for about 2½ months at J K Paper Mills and the shortage of Coal and Lime, the production and profits would have been higher. The Speciality Paper Plant, commissioned in October, 1972, is on its way to substantially better performance in terms of quantity and quality. The sophisticated varieties of Papers like Tissues, Bond, Airmail and Manifold made on the Speciality Paper Plant have been exceedingly well-received in the market. Gross Profits before depreciation went up to Rs 1.83 crores in 1973. The Gross Block at the end of 1973 stood at Rs 21.68 crores as a result of investment of about Rs 13 crores during the last three years by way of substantial expansion. This expansion shall substantially increase the earnings of the Company from 1974 onwards.

Dividends

Your Directors have recommended a dividend of 12 per cent on Equity Capital. However, this can no more be implemented in view of The Companies (Temporary Restrictions on Dividends) Ordinance, 1974. Since the Company has increased its Gross Block very substantially in the recent years, the depreciation it has to provide is heavy. In view of this, the net profit available for dividend in accordance with the Ordinance results in limiting the payment of dividends to 4.4 per cent on the Equity Capital as compared to 12 per cent recommended by your Directors.

Expansion

The augmentation of capacity by 3,000 tonnes per annum on Paper-Machine Number 1 and of the pulping side at J K Paper Mills is now complete by installation of balancing equipments. The Plant to manufacture 4,500 tonnes per annum of Coated Papers and Boards has been installed and will be commissioned fully within the next three months.

Industry — Problems and Prospects

Of late, Papers required for all needs, have been in short supply. Newspapers and other publications have had to severely curtail their consumption of Newsprint in view of the acute supply position. In this situation, the consumers belonging to almost all segments of the society, whether students, publishers of Newspapers, periodicals, books or Government or Industrial users, have been groaning under the impact of Paper shortage. Why has such a situation arisen? It is very well known that the creation of additional manufacturing capacity and increase in production has not kept pace with the growing demand. During the Fourth Plan only 2.37 lakh tonnes capacity of Paper and Paper Board was created as against the target of 4.00 lakh tonnes. Production rose by only 1.57 lakh tonnes against a target of 3.00 lakh tonnes. The production of Paper and Paper Boards at the end of the Fourth Plan was hardly 8.00 lakh tonnes from an installed capacity of 9.67 lakh tonnes. The position with regard to Newsprint was much more dismal. As against the target of production of 2.60 lakh tonnes at the end of the Fourth Plan only a production of 0.44 lakh tonnes per annum was achieved. With such wide gap between targets and achievements, the shortages emerged with all their consequences.

Why adequate capacity was not created and why production did not increase as planned? This question becomes all the more important in view of appreciable increase in production and capacity in other Industries. After all, why has Paper industry languished? Answer is obvious. Investment in Paper industry, whether by way of substantial expansion of existing units or by way of creation of new capacities by new entrepreneurs was not found attractive on a comparative basis. In fact, in Paper industry, new investment was not even viable. This is one of the main causes and is the direct result of the pricing policy of Paper followed for nearly a decade, when there has been either official or unofficial control on Paper prices.

The problem of growth of Paper industry has been further compounded by steep rise in the prices of capital inputs of Paper industry which results in appreciably higher investment needed for new capacities. The selling price of Paper would have to be adequate to meet the requirements of higher interest charges and depreciation in case of new capacities. The difference is so substantial that it cannot be offset by technological gains of new investments alone. I do hope that this matter, which has remained unattended to for such a long time, will receive careful consideration at the hands of the authorities who are undoubtedly concerned at the lack of growth of Paper industry.

Recently, Paper industry has agreed to make available to the Government about 25 per cent of its production at subsidised rate in order to meet the needs of Government, manufacturers of Exercise Note Books, and publishers of nationalised text books. By so doing, the Paper industry has displayed a sense of social responsibility in the present conditions of strain. The pricing policy for Paper industry would have to strike a balance between such social imperative on the one hand, and an adequate return for the industry on the other, to ensure much needed growth.

While considering the viability of new investments *vis-a-vis* the pricing policy, another angle that must also be kept in mind is that the inadequate return in Paper industry scares away new entrepreneurs and thus inhibits broad basing of entrepreneurship in the Industry.

There is yet another dimension to the issue of growth of Paper industry. The minimum economic capacity of an integrated Pulp and Paper unit is considered to be 200 tonnes per day which, on the current estimates, will need an investment of about Rs 65/70 crores. Such massive investment is possible only if there is adequate nucleus capital available from after-tax profits. In my opinion, this calls for an urgent review for introducing in some form the benefits available from development rebate which could enable the Companies to retain profits for plough-back for expansions and new investments. Further, the problem can be somewhat eased by allowing a higher debt: equity ratio than the prevalent 2:1. In certain industries like shipping in view of urgent need for expansion the Government have accepted the principle of higher debt: equity ratio. Even certain developed countries like Japan operate on very much higher debt : equity ratio to promote rapid industrial development. While there are points for and against increasing debt : equity ratio, I feel in the net it would not be imprudent to operate on a debt : equity ratio of 3:1 for such highly capital intensive industries like Paper specially in view of the fact that its products are so vitally needed for education, communication, industry and Government.

It is also noteworthy that due to their proximity to raw material resources, most of new units in Paper industry would come up in backward areas and would thus contribute to their development. This also makes a case for the industry for softer loans, i e, loans on lower rate of interest with longer repayment period.

In the long-range planning of Paper industry, another factor which has a crucial role to play is the availability of raw materials. This calls for development plans for our forest resources to be so geared that we meet the requirements of a growing industrial economy. Unfortunately, the present thinking and management of these forest resources does not have the forward looking orientation. Intensive plantation programme and investment in infrastructure like roads, etc, are urgently required to enable fuller utilisation of our natural forest resources and provide the raw materials for industrial growth. Short-term policies must give way to policies which would increase yield and quality of our forest resources on a long-term basis.

Though in the background of present state of economy the task is formidable, I have no doubt that with bold and fresh approach to the problems and with stress on achieving definite results according to a time-bound programme, we can turn the corner. Paper is not only an essential input for education, communication and administration. It is an equally important input for many industrial activities including packaging where it can replace scarce and costlier metals like tin-plates, etc.

Industrial Relations

This speech would be incomplete without putting on record my deepest

appreciation for the devotion and untiring efforts of the staff at all levels and the labour in various fields. But for their co-operation and efforts, the performance of your Company would have been hampered. As far as possible, your Company has been trying to enter into long-term agreements with the workmen which would, on the one hand, confer substantial benefits on the employees and also, on the other, ensure uninterrupted production and industrial peace at the works site.

My thanks are due to the financial institutions and banks for their continuous interest in our activities and assistance in various forms. The Government of Orissa also have extended valuable co-operation and support from time to time and my thanks are due to them.

Thanking you.

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

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BANK OF BARODA

DIRECTORS REPORT

1. This is the Fifth Directors' Report on the Bank's working after nationalisation. Along with it are submitted the Profit and Loss Account of the Bank for the year ended December 31, 1973 as well as the year-end Balance Sheet.

2. Bank of Baroda made all-round progress in 1973. There was a record growth in deposits of Rs 143.98 crores or 24.6 per cent, which took the Bank's aggregate deposits on to a peak of Rs 729.56 crores as on December 31, 1973, excluding about Rs 10 crores of deposits of our Uganda Subsidiary and Rs 11 crores of financial institutions. The growth rate of the Bank's deposits was higher than the corresponding rate of 18.8 per cent for the banking system. The share of current account deposits was 23.1 per cent, of savings bank deposits 24.4 per cent and of term deposits around 52.5 per cent. The share of rural and semi-urban branches in total deposits was 24.59 per cent while that of metropolitan and urban branches was 75.41 per cent.

3. In 1973 Bank's credit portfolio expanded at a higher rate both in percentage as well as absolute terms than in the previous two years. The credit portfolio expanded by Rs 84.49 crores or by 22.4 per cent as compared to an expansion of Rs 38.87 crores (11.5 per cent) in 1972 and of Rs 27.33 crores (8.80 per cent) in 1971. Yet the rate of credit expansion for the Bank was slightly lower in 1973 than that of the banking system as a whole at 23.2 per cent.

4. The Bank increased the flow of its credit to backward regions, particularly in the lead districts, weaker sections of society under the Differential Interest Rate (DIR) Scheme, self-employed people under the Multi Service Agency (MSA) Scheme and also granted loans to drought affected persons in Rajasthan and Gujarat States under specially tailored schemes. The Bank's outstanding advances to agriculture, small-scale industries and other small borrowers rose from Rs 83.93 crores at the end of December 1972 to Rs 108.05 crores at the end of 1973, recording an increase of Rs 24.12 crores or 28.74 per cent. The number of 'other small borrowers' (excluding transport operators) increased over the year by more than two and half times from 10939 to 28866. The average balance per account was Rs 2,600 and the total outstanding credit in respect of such accounts was Rs 7.56 crores.

5. Advances to the export sector, both for pre-shipment and post-shipment purposes, increased during 1973 with the balance outstanding at Rs 54.58 crores as against the corresponding figure of Rs 35.75 crores for December 1972.

6. The profit subject to bonus for the year was marginally lower at Rs 237.57 lakhs as against the profit of Rs 240.51 lakhs during 1972. The rise in dearness allowance and the higher establishment costs accounted for the slight fall in the profits.

7. The Bank opened during the year 80 branches of which 11 were in metropolitan areas, 20 in urban areas, 14 in semi-urban areas, 34 in rural areas and 1 overseas. This took the total number of Bank's branches in India to 759. Including 26 overseas branches, the Bank had thus 785 branches spread far and wide throughout the country and abroad. Of the total Indian branches 36.50 per cent were in rural areas, 24.11 per cent in semi-urban areas, 20.55 per cent in urban areas and 18.84 per cent in metropolitan areas.

8. A group of Afghan bankers was deputed by Da Afghanistan Bank for training in India. Da Afghanistan Bank is a nucleus of banking system of Afghanistan performing both commercial and central banking functions. Under the training scheme, managers and officers of Da Afghanistan Bank were trained in commercial banking by Bank of Baroda. The training course was inaugurated by our Chairman and Managing Director in March 1973.

9. On November 21, 1973 Bank of Baroda opened its first overseas Multi Service Agency (MSA) Cell in Mauritius. The MSA venture abroad bears testimony to the interest evinced by developing countries in the MSA as an employment promoting and stabilising device. Presided over by the Prime Minister Sir Seewoosagur Ramgoolam, the Hon'ble Finance Minister of Mauritius, Mr V Ringadoo inaugurated the Cell. He also inaugurated our fourth branch at Royal Road, Rose Hill.

10. The year witnessed an encouraging performance of our overseas Branches in the UK, Kenya, Fiji, Mauritius and Guyana (South America). Pending discussions with the Bank of Uganda about the declaration of dividends, the Balance Sheet and Profit and Loss Account for the year ended December 31, 1973 of the Uganda Subsidiary, namely, Bank of Baroda (U) Limited have not been finalised on time. The permission of the Reserve Bank of India has been obtained for not publishing the final accounts of the Uganda Subsidiary in this Report.

11. In keeping with the expansion of business, the number of staff members in all categories increased by 1358 to 18116 over the year. At the end of December 1973, there were 4030 officers, 9589 clerks and 4497 subordinate staff members.

12. The Board would like to thank the members of the staff at all levels for the efficient role played by them in making possible the satisfactory overall performance of the Bank.

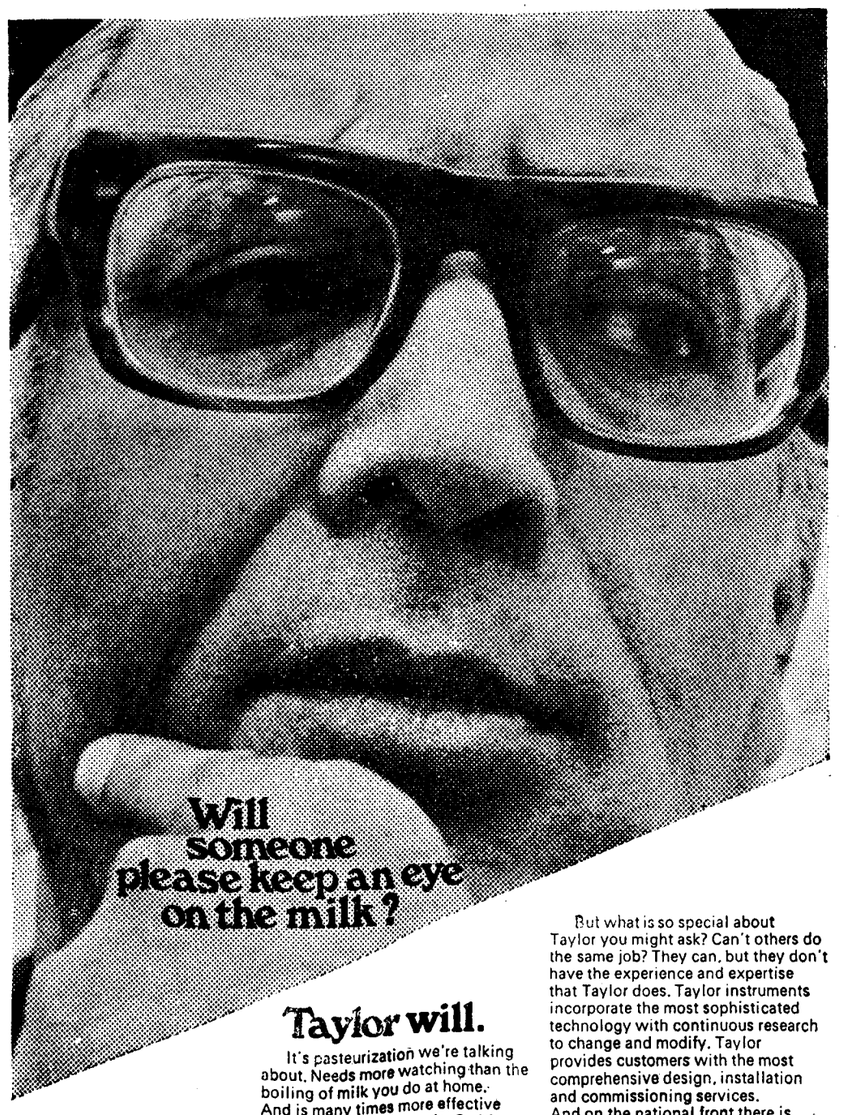
For and on behalf of the Board of Directors

V D THAKKAR

Chairman and Managing Director

BOMBAY

June 19, 1974



Taylor will.

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INDIA'S SELF-INFLICTED DEFENCE BURDEN

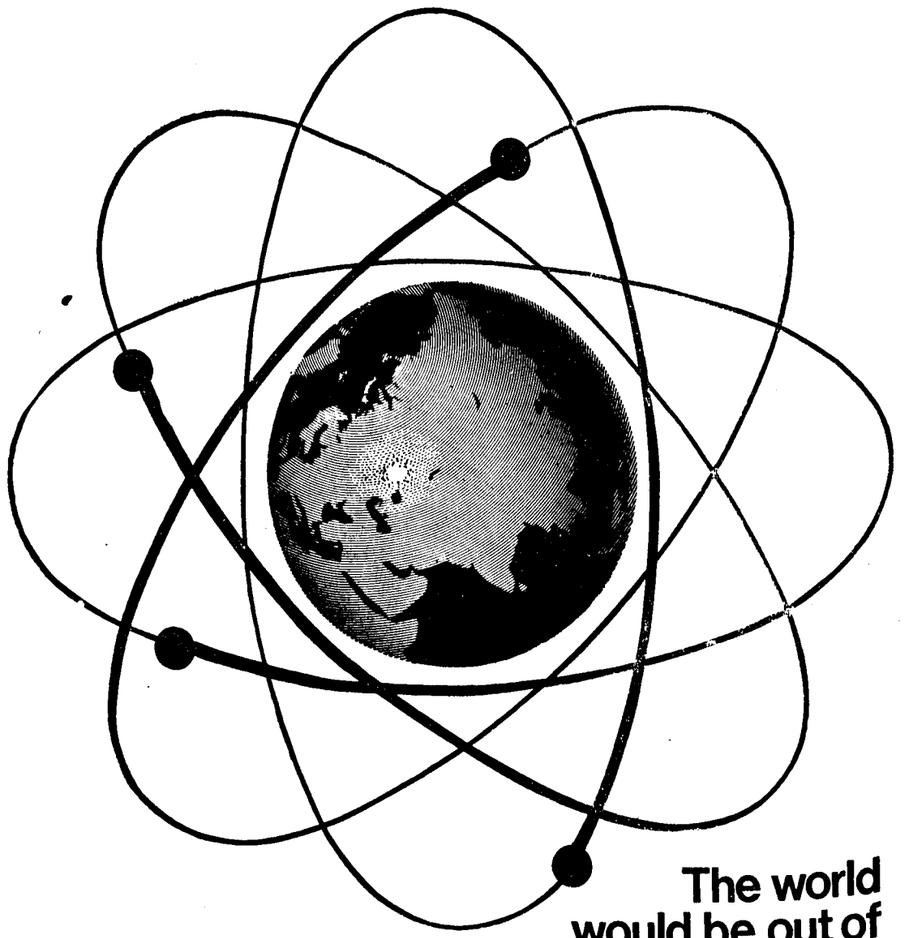
TAMIL NADU: THE FULL CIRCLE

ALIENATION OF ADIVASIS' LANDS

MUSLIMS IN INDIA

THE RURAL CLASS STRUCTURE

REVIEW OF MANAGEMENT



The world would be out of its element if India had not generated atomic thought

Today the world is in its element as it finds itself in the atomic age. But the discoveries of modern times echo the atomic theories of ancient India—theories that were brilliant explanations of the physical structure of the universe. An atomic theory was taught by Pakudha Kātyāyana an older contemporary of Buddha. Indian atomic thought thus originated before Democritus the great Greek philosopher—one of the founders of the atomic theory. In physics and other spheres Indian talents have enriched the world. We at L&T continue the tradition by enriching life through industrial development. The source of our energy is the vast reservoir of technical know-how generated over 35 years. It has spurred us on to manufacture equipment for India's nuclear power projects. The reactor vessel, fabricated for the first time in India, is an example. In order to foster the growth of nuclear power we have set up modern fabrication facilities; formed a specialist cell for handling design, fabrication, application of new techniques. We are a vast industrial complex designing, manufacturing installing plant and equipment for every vital industry. The secret of our success lies in the individual talents of over 10,000 people in our associate and subsidiary companies and our network of offices all over India.

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ECONOMIC AND POLITICAL WEEKLY

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The President as Product

THE American catharsis has taken place along expected lines. The *impeachment* of an incumbent President would have been a severely gruesome ritual; more horrendous tales of gross immorality and skulduggery would have been brought into the open; the outcome would have been a total shattering of American self-confidence, and a further fading of the external image of the nation's administration. Nixon was prevailed upon to spare the country — and its establishment — the trauma of that experience. What final lure was offered — or what threat was held out — to shore him out of office is of little import now. More relevant is the fact of his departure, and the consequential sense of relief on the part of those regulating the governmental processes in the United States.

The skill, determination and ruggedness with which men belonging to the Washington establishment themselves laid bare the unsavoury details of Watergate is remarkable. Even within the confines of the amorality which the American *official apparitchik* now epitomises, some rules of the game obviously still need to be respected, and some etiquettes need to be observed. Nixon and his entourage breached these rules, and have been called upon to pay for their indiscretion. This is of course the first occasion that such a cataclysm has overtaken the American system. But this was bound to happen sooner or later. For, it will be difficult to deny, it is a number of other attributes afflicting that system which have also been responsible for the phenomenon of Richard Milhous Nixon.

From 1946 till August 1974, Nixon, after all, exemplified one ethos which was specifically American in all its features and symptoms. He assumed the matter of politics and statecraft to be indistinguishable from any other species of business operations, where you indulge in ruthless competitive sport, and try to ascend to the top of the hierarchy through a diversity of means, quite a few of which often border on the shady. Even when the most elevated peak has been scaled, a kind of inverted zealotry hangs in the air. Dangers, howsoever imaginary, always appear to lurk in the corner; tension remains high; the executive suite becomes the arena for plots and ploys, counter-plots and conspiracies, strategies and manoeuvres, either for effecting a magnificent take-over or for doing in assorted corporate enemies. Gross acts of criminality are not unknown in this context; business executives are often caught out in the game of either trying to make a quick personal kill at the expense of the shareholders or sabotaging, through illegal means, the economic prospects of competitors.

Richard Nixon slipped, but only because he took the American business ethics and the nation's order of administration to be analogous all the way. This hurt the susceptibilities of Middle America, who want their President to be a somewhat abstracted entity and not to be confused with an ordinary journeyman in downtown New York or lakefront Chicago. Success went to Richard Nixon's head; the metaphysics of the Presidency, he thought, could be moulded to suit his personal proclivities. He could have got away with it, but only if he were not discovered in the act. Thus viewed, his greatest sin was not the common crimes he indulged in, but the fact that he was found out. As in the American business world, again, he has been made to pay the price of his incompetence.

Everything is once more *fine* and *in order*; he was a bad egg and we have got rid of him, seems to be the attitude of the American establishment. The Republican party will try to salvage the situation as much as they can between now and the November elections. Even were the elections to turn out badly, there will be enough time fully to repair the damage now that the Ford-Rockefeller combination has been so smoothly installed in office. For the first time in history, the Americans are having a President and a Vice-President neither of whom has been elected by a popular mandate. The Democratic party has acquiesced in the arrangement, but the basic malady will remain. It is the cynicism of American bourgeois civilisation which gave rise to the spectre of Richard Nixon. For the present, there will be a temporary lull, but one sees no evidence that the grim episode has provoked any deep soul-searching within the American nation. Crookery will thus continue, though one crook is out.

Taxation

Trick Is in the Terminology

CLASSIFYING taxes has long been the tax theorist's nightmare. Though commonly associated with taxes that are "either directly assessed or directly collected", like the income-tax, many of the taxes classified in official documents as 'direct' are not direct after all. For instance, local rates. Neither does the history of these terms show much consistency in their usage — the most famous aberration being the declaration by the US Supreme Court in 1962 that income-tax is not a direct tax.

Generally, however, after the income-tax made its appearance, taxes levied immediately on the persons "who are to bear the burden" came to be called 'direct' and others not so levied, 'indirect'. But, of how many of the taxes (barring perhaps the poll tax) can it be said that the persons on whom they are levied also bear the burden? While disputes rage among experts over the extent to which the burden of the corporation tax is shifted, doubts arise whether the income-tax paid by company executives on their salaries and perks is also not passed on at least partly to consumers through higher prices of products.

Uninhibited by any such doubts, the bureaucracy continues to clothe taxes levied by government in the familiar 'direct' and 'indirect' jackets. And that has its uses, unsuspected by the theorist — as the supplementary budget of the Union Government illustrates.

Of the Rs 230 and odd crores proposed to be raised through additional taxation, Rs 160 or about 70 per cent has been shown under the 'indirect' category. Of the Rs 70 crores expected from the direct taxes, as much as Rs 60 crores are to come from a tax on interest earnings of scheduled banks. In classifying this tax as 'direct' does the government expect the banks on whom it is to be levied to bear the burden? Surely not, for, with over 80 per cent of banking business in the public sector, that would make little sense. The banks, it must be presumed, are expected to recover the tax fully from their borrowers. Would the borrowers pay it out of their own pocket either? Even those uninitiated in the intricacies of shifting and incidence can see that it all depends on what the traffic, that is, the market will bear. And in a sellers' market, there is no limit to what the consumers can be made to pay. Borrowers will thus pass on the tax to buyers of their products though it is conceivable that it will impose some discipline in the use of bank funds by making it costlier.

What then is the logic of labelling the new levy as a direct tax? The answer hardly needs spelling out. Rightly or wrongly, in the public eye, the 'directs' are the good ones among the taxes, being those that are realised from the rich, and the 'indirects' are those that push up prices. If the criterion — who bears the major burden — was consistently applied, almost the whole of the taxes burden in the supplementary budget would have to be shown as 'indirect'.

Youth Congress

The Corrosive Base

HOW the Youth Congress went home, like so many rowdies and smugglers, following the luxurious rally in the nation's capital earlier this month, could be considered as an early — or not-so-early — indication of grimmer things to follow. Within the Youth Congress, no doubt, elements do exist who are motivated by nobility of intentions and integrity of objectives. But the periphery does not determine the central impulses. As far as the ruling party is concerned, since 1969, ideology has been supplanted by slogan-mongering with a certain acceleration, and solid work at the grass-roots has been replaced, over the decades, by the strategy of the *blitzkrieg* — often accompanied by strong-arm methods applied against political adversaries. Students and other youth have been gathered in, in large numbers: both *ersatz* glamour and lure of easy lucre have been used for the purpose. In several regions, through the mass of the Congress youth movement may consist of impressionable, unemployed, young men, the superstructure comprises persons hardly distinguishable from common louts. Funds, from mysterious but guessable sources, have been available aplenty to these structures of youth groups. The Youth Congress unit of West Bengal exemplifies this composition — despite its several warring factions. It is no accident that the principal organiser of the New Delhi caper — Priya Ranjan Das Munshi, President of the All-India Youth Congress — is from the West Bengal wing of it.

The details of what happened during, and after, the New Delhi rally are in a profound sense mere manifestations of an inevitability. The fault of their youth, the leaders must explain away, did not lie in their orgies — young people, after all, will be young people — but in their being too brazen in organising them. In their present state of demoralisation, the leaders can hardly summon enough courage to remonstrate with the entrepreneurs of the Youth Congress. They, after all, continue to need the services of the toughs of the Youth Congress for launching the pincer-thrust against the working class and the various opposition groups in the country. Those from whom you seek favour must remain beyond rebuke. Besides, there is another aspect of the matter. It is that, by now, most top leaders too have been found to have feet of clay, and many unsavoury details of their daily manoeuvrings are common knowledge among the Youth Congress boys and girls. A balance of mutual blackmailing is hence to be maintained.

A cumulation of such events as happened at Delhi and Bulsar cannot but lead to the gradual convergence of the polity towards an authoritarian order. That order will have the underpinning of a generation of young people, spoiled by bribe and amorality, who will have captured vital political positions. And as the economic situation deteriorates, official slogans will turn even more ferociously populist. But slogans cannot cover all the walls in the land nor fill the ever hungrier bellies. The Congress leaders, young and old, must be aware that the *djinn* is occasionally known to turn on its own creator.

Universities

Of Irrelevance with Irreverence

SOON after the government's victory against its railway employees, Bombay University's ruling circles too scored their own little triumph over the subordinate staff of the University at the end of June. After a protracted period of work-to-rule and a few token strikes, the employees' union withdrew its agitation without having received redress of even a single major grievance. The total defeat of the employees has brought in its wake an atmosphere of frustration, which threatens to render the running of the University ever more chaotic. Already, demonstrations and occasional morchas have been resumed, and the agitation may be intensified again in the near future.

The University of Bombay which started as an apparatus for conducting examinations and distributing degrees for a number of colleges 'affiliated' to it, has of late been trying to become a teaching-cum-research institution. Thus, over the past two decades, the university has opened several new departments — mainly catering to post-graduate instruction. The University authorities have also undertaken an ambitious building programme. Yet, all the while, administrative arrangements have lagged and degenerated. And, in the process, power has got concentrated in a few hands.

Indeed, the state of affairs in Bombay University illustrates how a manipulative and determined bureaucracy can allow an academic institution to slowly atrophy. With the Vice-Chancellor (always a part-time official) and an indulgent Syndicate (generally dominated by non-academic and ageing individuals) meeting only infrequently and seldom more than once a month, the effective authority in the University has passed into the office of the Registrar where a few individuals reign supreme. Archaic rules and procedures have helped such concentration. Almost every communication to and from the university has to go through the office of the Registrar, who is also *ex-offico* member of almost every committee of the University. With initiative and power so closely held by a few individuals, the university administration has got neatly split into a few king-makers on the one hand and a large army of minor functionaries on the other. Overstaffing at the base of the hierarchy — an accretion resulting from the spoils system at work — has merely aggravated the general frustration and lack of initiative.

The benefits of the spending and appointing powers of the system have slowly poured into the laps of the chosen few. The resentment against this has been sharpened by the fact that there has been no revision in the salary structure of the subordinate staff for over a decade — though the senior staff has meanwhile received two revisions with probably one more in the offing. However, in the present situation of high unemployment and with no other means to force the hands of the authorities, the employees' agitation was doomed to fail. Indeed, even the most reasonable of their demands — *viz*, recognition of their union — was thrown overboard.

But the delay in the completion of examination schedules — for which the Railway strike was a convenient alibi — has delayed the formation of new classes. Indeed, the new academic year could not start till July 1. And, even by the middle of August — almost six weeks after the supposed 'opening' of term — little post-graduate instruction (a direct responsibility of the university) had begun. The students have thus been short-changed of a quarter or more of their terms' fees. If the students are indifferent to such treatment, it only reflects their perception of the irrelevance of the academic mumbo-jumbo to their own future or their real earning power.

Nor is the academic leadership in the university equipped to provide any change of direction in this morass. Not only does the present administrative set-up give them next to no voice in the running of the university, but many of the top faculty themselves have but passing interest in the university, given the predilection of the authorities for employing persons who have retired from other institutions. Indeed, some professorships seem to circulate only among retired persons.

The university continues to proliferate — its numerous administrative problems notwithstanding. It has recently opened a new department, not included in its development plan, and appointed a retired gentleman to head it. Often, men so appointed have been on the Syndicate which is supposed to appoint them! It should be too much to presume that those who have done so well out of the present system would want to change it.

The Vice-Chancellor has now announced plans to open a department of Agriculture Management — when there already are two agricultural universities with four campuses in the state and the university has yet to start the departments of Biological Sciences to which it had committed itself several years ago. In view of what has been said above only the very naive will imagine that this decision has been motivated by academic considerations.

Sikkim

Another Peaceful Implosion

THE 36th Constitution Amendment Bill which will be rushed through Parliament next week cannot be regarded as a great step in the onward march of democracy for the people of Sikkim; it is one more shrewd tactical manoeuvre by the Prime Minister — akin to the 'peaceful' nuclear explosion, the ending of princely purses and privileges, the nationalisation of banks and the build-up over Bangladesh in 1971 — which may serve to divert the attention of the nation from her government's gross mismanagement of the economy. The seating of one Sikkimese in the Lok Sabha and another in the Rajya Sabha can hardly be regarded as of great value to the peoples of Sikkim or of India.

Unlike in the states of the Union, Sikkim's Cabinet and Assembly do not have the powers that the state governments and legislatures have. Under the Constitution adopted by the Sikkim National Assembly in June 1974 — which reaffirmed much of the tripartite agreement signed in May 1973 by the Government of India, the Chogyal of Sikkim and the leaders of the political parties in Sikkim — the Government of India along with its pro-consul in Sikkim, known as the Chief Executive, wields enormous veto and reserve powers in the guise of furthering "communal harmony, good administration, and economy and social development". In addition to these vast reserve powers, the Chief Executive — and not the Chief Minister and his council of ministers — controls the following subjects: finance, home, police, ecclesiastical department, palace establishment, judiciary and the Sikkim Guards.

In effect this clearly means that Sikkim continues to be a protectorate of India, with the nominal difference that this protected area will now have two nominees in New Delhi, who, it seems from incomplete press reports, will be chosen by the Sikkim Assembly and will not be directly elected by the people of Sikkim. It thus appears that purely for their own tactical political reasons, the Prime Minister and her government are landing India in a situation fraught with all kinds of possibilities. At the moment the leader of the Sikkim Congress identifies himself very closely with India much as he did not so long ago with the Chogyal's court. His so-called popular movement has always sought India's backing. This

could be because the movement has never been too sure about the extent of its popularity. The elections, last April, which gave the Sikkim Congress an overwhelming majority in the Assembly, were not clearly indicative of the party's mass support; they were probably more indicative of an upsurge of feeling against the Chogyal which had been building up for many years. Now that the Chogyal has been reduced to a figurehead it does not follow that the people of Sikkim will bestow their loyalty on the Kazi or on India. It is even possible that in the not too distant future the Kazi may turn anti-India if he begins to feel more insecure about his position within Sikkim. All this raises the question whether the 36th Constitution Amendment Bill is not also a clever precedent to tighten control over other regions like Kashmir while providing the window-dressing of 'associated' status.

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Calcutta Diary

A M

DESPITE the hopelessness in the air, despite the claustrophobic listlessness, to dream remains an inalienable human right, permitted even to a citizen of this bedevilled nation. The plight of the economy could not be worse, inflation rages unfettered and uninhibited, the distress of the masses mounts from week to week and month to month, the central objectives of the nation appear to be stuck deep in a morass. Yet dreamers there will be, who will continue to dream. They will keep hoping that, come the next corner, a new vista is bound to be revealed. They will keep dreaming that once this Saturday's particular unsavoury episode passes into history, the subsequent events will be wholesome and honest, and gloriously straightforward. They will keep imagining that, once the present series of official and quasi-official unscrupulousness runs its course, in the coming days everyone will turn Simon Pure. One can contemplate what the model of such a dream could be, the dream that will be at the top of the heap, that will put into shade all other bold and wonderful dreams that one could think of.

For one individual, the fondest dream could be as follows: Come the Sunday morning following the Saturday night, as he rolls out of bed and goes to the door to collect the paper, a most magnificent news item hits his eyes. A statement has been issued by the Prime Minister's secretariat. The Prime Minister, it informs him, has decided that the nation's predicament has matured enough, there has to be a turning back, this far and no further. The Prime Minister, the statement says, is going to revoke a particular decision announced by the Ministry of Industrial Development on its own and on which she was only perfunctorily consulted in the past. She, the statement goes on to elaborate, is aghast at the gumption of the Ministry in issuing an industrial licence to Maruti Private Limited. Even when a letter of intent was first issued to Maruti, she had very strong doubts and reservations. After all, the Planning Commission had long ago decided that projects for the manufacture of a small car, whether in the private or in the public sector, would not harmonise with national priorities: at the present juncture, it was not at all necessary — nor desirable — to expand the capacity for passenger-car production. Even though it was being claimed that the cost of production of the Maruti car would be considerably less than that of the makes currently available in the country, the clientele for this car will continue to belong to the affluent sections of the community. Things have in fact deteriorated a great deal, the Prime Minister feels, since the Planning Commission sat in judgment on the so-called small-car project. Given the grave economic crisis that has overtaken the nation, there is absolutely no reason for setting aside precious resources for the further production of passenger cars, big or small. It was already sheer folly to waste so much of the nation's assets on the three existing car units; let there be no extension of that folly. The plea that Maruti is in the private sector and, therefore, will not cause any draft on the government's resources, the statement goes on to point out, is altogether specious; for, it is still the stock of scarce resources in the nation's command which the company will erode, and this, the Prime Minister has not the least doubt, cannot be permitted. The other argument too — namely, that Maruti cars will be manufactured with indigenous materials and without foreign collaboration — is considered by the Prime Minister to be equally fallacious; for, the indirect import costs — which will be diffused all over — are in any case going to be heavy. In view of the acute foreign exchange scarcity, the Maruti proposal has to be regarded as a luxury — and hence cut back. From now on, the emphasis in the field of transport, the press note suggests, should be exclusively on expanding the capacity of public transport. The production of trucks must, of course, continue to receive the major attention. In addition, whatever resources are worth being deployed marginally for producing mass transport vehicles — such as double-decker buses — would be considered for allocation. But, according to the Prime Minister, it would be criminal wastage of resources to allow the manufacture of Maruti.

But what about the outlay already incurred by the sponsors of Maruti Private Limited in setting up the pilot plant, and what to do with the capital already raised for the venture from various sources? The sponsors have perhap raised as much as Rs 30 crores from private industrialists for setting up the company; they have also borrowed funds from public financial institutions, including commercial banks. Land has been acquired; steel and other scarce materials have been used up to a considerable extent. In view of all this, if Maruti is not permitted to proceed further, the Prime Minister realises that there could be a lot of heart-burning here and there. But — the press note from the Prime Minister's secretariat goes on to explain — while admittedly some diversion of national resources has already taken place on account of Maruti, that cannot be used as an alibi for a further — and greater — diversion of resources.

The statement, at this stage, refers to the government's recent decision to cancel the plan for an international trade fair in New Delhi in view of the economic difficulties. Several crores of rupees had been spent, meanwhile, by the Union government, the state governments, and a large number of public and private undertakings, to set up pavilions and to make auxiliary and ancillary arrangements in connection with the fair. Since the authorities were of the view that such initial expenditures notwithstanding, it would be most improvident to hold the fair, they took the decision to abandon it. The government decided to cut its losses and scrap the fair; so be it with Maruti. The plant set up by the latter, it is explained, is proposed to be taken over at cost and utilised for assembling trucks and other public vehicles.

The press note is candid all the way. The government, it mentions in passing, is fully aware that land belonging to the Ministry of Defence was appropriated for Maruti; that the public steel plants issued special quotas so that Maruti could lift the necessary steel; that cement and other precious materials were allotted for Maruti, which could jump the queue. The press note admits that those industrialists, who helped to raise the bulk of the share capital of Maruti, were accorded import quotas and other special entitlements as reward for their co-operation with the venture; this was scandalous, and an enquiry into how this came about and where the culpability lies in each case is being instituted. The statement from the Prime Minister's secretariat goes on to admit that prospective dealers have been made to transfer, in the name of advance dealership fees, close to Rs 2 crores to Maruti Private Limited; the Department of Company Affairs is being asked to find out whether there

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was any infringement of law in the way these funds were collected.

The Prime Minister, the statement says, realises that there are broader issues involved in Maruti. It is not just a car project initiated by an individual. It is not even a bland symbol of so much first-order and second-order nepotism: that is only a minor aspect of the matter. It has a much broader, greater import namely, whether or not this nation ought to take at face value the exhortation to economise and conserve resources. Everybody from the Prime Minister down talks of the crisis the country is passing through. Each official statement dilates on the theme of abstinence, and on the need to push up the national rate of savings. What you consume, you do not save. If you consume in the way of having more of private passenger cars, to that extent you deviate from the goal of augmenting national savings. Thus Maruti could not only use up precious resources which might be used for higher national priorities; if permitted to go ahead, it would also release the flood-water of indulgence; once you permit Maruti, you will have no moral grounds to prevent similar other projects to go ahead. The Prime Minister, the press note says, recognises only too well that ultimately her call for sacrifice on the part of each and every member of the nation must be backed up by firm practice; she has decided that she must really set the example for others by taking this personal decision — to ban Maruti. She is full of admiration for the energy, initiative and imagination demonstrated by those who set up the prototype of the car. If these persons were born in any private enterprise economy, there is no question that they would have gone very far; but, as it happens, they were born in India, a poor country whose resources must be conserved for ameliorating the conditions of the most wretched ones, and accordingly savings must be encouraged at all levels. Therefore, these people have to be called upon to make the supreme sacrifice; she, as Prime Minister, has decided to step in and cancel the industrial licence accorded to them. Steps are being taken on the consequential arrangements she has elaborated. She hopes that this example will inspire others to make similar gestures.

So goes the dream. This is somebody's favourite dream not because this person is by nature crooked or holds a jaundiced view of things. He believes in the old-fashioned virtues which once upon a time ruled the world. He believes that the Prime Minister has the nobility and the sagacity to see the inter-connection of things. The Prime Minister, he is aware, is Chairman of the Planning Commission, the body which determines where the national priorities lie. She is, at the same time, head of the government, and knows more than anybody else the gravity of the present crisis. He has every hope that she will ensure that his dream comes true. It is after all such dreams which sustain a nation and whose fruition constitutes its pride. And the person who dreams this dream is firm in his conviction that once his dream comes true, the emotions that will be released round the country will be a thousand times more potent than those that were let loose in July 1969.

CAPITAL VIEW

Swadeshi Theorising

Romesh Thapar

AS the desperation about the sterile *status quo* mounts, all manner of theorising is under way around the central question: What makes the Indian and his 'style' what it is? Frankly, there's little point in recording all the usual serious pontification which ambitious, scheming academicians have popularised in the strangest jargons — and that goes not only for our over-paid professors, but also for their distinguished colleagues abroad who are active partners in what could be termed the global crime of obfuscation. Let's turn to more populist theories for relaxation.

I very much enjoy the 'line' that is current among the female — or feline! — supporters of the Prime Minister these days. And when I say female, I am not talking about those rotting mountains of flesh whom you espy as women's leaders in the newspapers so frequently. I refer to younger, more intelligent activists who are looking for excuses to explain away the non-action. Here goes ...

Apparently, the real trouble is the fact that the Prime Minister is a woman. Try as she does to put on tantrums and flashes of temper she remains for a male-dominated system, a mercurial sort of female capable of changing her mind frequently. Numerous notes or memoranda are cited as evidence of her alleged grasp of the details of a wide variety of problems. These missiles sent regularly to the ministries are seldom honoured by the system, which is, we are earnestly told, in the clutches of the "male chauvinist pigs". These pigs deliberately don't act. They, then, put all the blame for failures on female philandering and take the credit for whatever little is done.

Again, it seems we have not really appreciated or even begun to comprehend the true Indian character because we are obsessed by the moral cliches of a Christian colonial past. It is pointed out that over centuries of foreign oppression, the toiling masses of India, and their grasping leaders now risen to sovereign power, have only developed real expertise in one critical activity, namely how to evade the so-called law in the interests of individual survival. This heritage seems to have mutated the Indian gene, to use a pseudo-scientific analogy, and today we are doing at every level what comes naturally, so to say.

Ah, yes, it wasn't always like that. When the British were here, a handful of *koihais* ruling a vast and complex population, a certain morality, largely Christian, was imposed on public life and activity. One big corrupt killing in a life time — not more. This principle sort of survived, fitfully admittedly, through some hundred years from Raja Ram Mohan Roy to Jawaharlal Nehru. Yes, Nehru was the last of the flawless practitioners, drawing deep sustenance from Gandhi. But, then, did he not represent something akin to an exhausted *finale*? The authentic *deshi* style was soon to take over under his daughter. Poor thing, what can she do about it? Swim or sink.

But that's not all. Even the intellectualism of the earlier theories is rejected by a solid phalanx of the supporters of the present free-for-all order. At this level it is argued rather overpassionately that there is so much insecurity in the business of living in India that no reasonable norms, or whatever you call them, can apply. Everything is fair in the war for survival. Only those wretched people are horrified who are sitting on cushions, khadi and silk.

So long as this situation of deep insecurity persists, there is no hope of evolving mass motivations and what

have you. And that goes for Indiraji, JP and what have you. In other words, get the price fixed of one square meal every day. Guarantee it. Then the chatter about the removal of poverty may make sense. Here, even salt can disappear from Bombay-on-the-sea. That's an epitaph for about the most incompetent, lazy society on the face of this earth.

Of course, with re-thinking in ruling circles proceeding at these profound levels of enlightenment, we cannot ignore the Hindu philosophers who quote and misquote scripture and commentary to prove that we are passing through a temporary aberration, that out of every suffering good will ensue, that eventually the blood of a ruler will run through the veins of the ruler, that 'playthings' cannot be installed on thrones, that inauspicious periods are followed by auspicious, that the stars and planets are changing their course.

This mumbo-jumbo, taken by many millions as an opiate and obviously the main contributor to the high tolerance level of the suffering Indian, fails to explain a single specific problem. But it's important to propitiate the Gods. If the Prime Minister feels like that on Janamashtami, old President Fakhruddin takes no risks. He invites the entire pantheon of priests, drawn from every faith, to invoke blessing on him. Hari Om!

What a heaven-sent opportunity for Jayaprakash Narayan, despite his age and health. Never was a vacuum more complete. But, alas, JP keeps the focus too much on himself. He fails to name trusted lieutenants his instruments, acclaim them, publicise them, create the alternative leaders. What is viable in Bihar could be anywhere in the country. Who will take the plunge? Clearly, those who are politically exploiting JP must be sent packing. New elements will have to be chosen and entrusted with major political enterprise.

Maybe, we are moving, Indian style, to a massive, continental boycott of elections and all the plethora of corrupt organisations spawned by a government impervious to need to solve problems by firm command and through ruthless follow-up. Maybe ... One never knows in India.

Tailpiece: Meanwhile, Karan Singh has certainly devised a compact, single-line formula for the dissolution of one of the major areas of his portfolio. He has declared at the World Population Conference in Bucharest that "development is the best contraceptive" — or Health, for that matter. Passing the buck to humbled friend D P Dhar at the Planning Commission, no doubt. And D P is only too willin', what with the Planning Commission in the doldrums.

August 26



he burnt diamonds, but helped save money on telegrams

Antoine Lavoisier, the French chemist, (1743-1794) was a crack scientist, if you know what we mean. Positively nuts about chemistry. Once he burnt two whole diamonds, while his poor wife stood by, burning with indignation. Whether it was to prove that the result of their combustion was carbon dioxide, or to disprove the slogan, 'A diamond is forever'—well, it was anybody's guess.

But something of a smashing success, M. Lavoisier. In his laboratory, there were no fewer than 13,000 glass containers, tempting enough objects, to have pot-shots at, but he wouldn't. Either his conscience made a coward of him or he was afraid his own lab. assistant might riposte with a retort or two, courteous or otherwise, so he preferred to break his own head ... against reaction.

A rich and leading farmer general, Lavoisier also believed in calling a spade a spade, not an agricultural implement. Oxygen was simply oxygen, not dephlogisticated air. Easier to spell and one word less in telegrams, he said.

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MAHARASHTRA

Alienation of Adivasis' Lands

Government Not Serious

S D Kulkarni

IT is an established fact that large-scale alienation of lands belonging to the scheduled tribes into the hands of non-scheduled tribe persons has taken place in the post-Independence period. Adivasis all over India have been victims of this process.

Adivasis in Maharashtra, and in Dhulia district particularly, have carried on a prolonged agitation to regain possession of alienated lands. A non-official committee headed by S M Joshi toured the adivasi areas in Shahada taluka in Dhulia district and expressed the view that about 10,000 acres had passed into the hands of non-adivasis in Shahada taluka alone. This alienation took place in various ways: (1) Moneylenders took possession of lands of adivasis who owed them debts. In many cases, this took place under oral agreements. The lands so taken over were never returned. (2) Rich landlords took possession of adivasi lands on promise of exchange which never took place. (3) A number of moneylenders took adivasi lands on long-term lease with or without the Collector's consent. They got themselves registered as tenants and became owners under the Tenancy Acts. (4) Non-transferable adivasi inam lands were made transferable on payment of a certain amount after Independence. Non-adivasis purchased these lands after they became transferable. (5) Adivasi lands were auctioned by co-operative credit societies because of non-payment of dues. These were purchased by non-adivasis. A number of these transactions took place through force and fraud.

Since 1972 the adivasis of Dhulia have carried on a struggle against these alienations. In 1973 the Government of Maharashtra appointed three special tahsildars to inquire into the legality of the alienations. Their reports have not been published. But it is learnt that they have reported that these alienations were more or less in accordance with the provisions of the law. This naturally did not satisfy the adivasis and their leaders. In February 1974 the adivasis in Dhulia district launched a satyagraha to regain these lands. The government has now come up with an Ordinance (No 13 of 1974) supposedly to meet the adivasis' demands issue.

The statement of the Ordinance admits that "in a number of cases, particularly from Dhulia, Thana and certain other districts, lands previously held by persons belonging to the scheduled tribes have gone into the hands of non-tribals. In many of these cases, the transfers are found to have been made in contravention of the provisions of the Maharashtra Land Revenue Code, 1966, or the Tenancy Laws in force in the state. It has, therefore, become necessary to provide for restoration of these lands to the original Tribal land-holders." It is difficult to accept the government's contention that many of the transfers were in contravention of the law. A mention has already been made of the 'tahsildars' reports. Moreover, the contention conflicts with the remark in the statement that "it is also proposed to provide that no non-tribal person shall have the right to purchase under any of the Tenancy Laws in force in the state, any land belonging to a Tribal which may be duly leased to such non-tribal under the Maharashtra Land Revenue Code, 1966".

Objectives

The Ordinance has two objectives: (1) to prevent transfers of land to non-tribals by amending the existing laws; and (2) to provide for the restoration of already alienated lands to the original tribal holders. Let us see the ways in which the Ordinance purports to achieve these objectives.

The following provisions are made to prevent transfers of lands to non-tribals. It is laid down that in future no transfers of land from tribals to non-tribals shall take place by way of sale (including sales in execution of a decree of a civil court or an award or order of any tribunal or authority), gift, exchange, mortgage, lease or otherwise, except on the application of such non-tribal and except with the previous sanction of the Collector in case of lease or mortgage for a period not exceeding five years, and of the Collector with the previous approval of the state in all other cases.

The Ordinance further empowers the Collector to restore the possession of land on the expiry of the period of the lease or the mortgage on his own or on an application by the tribal. This power cannot be by-passed by any law in force or any decree or order of any tribunal or authority. This power extends to all cases where a transfer has taken place in contravention of the provisions of the Ordinance. But in these cases the occupancy shall vest in the state after the Collector decides that the transfer is of such a nature. The time-limit laid down for such an inquiry is three years from the date of transfer. After the vesting of the occupancy in the government, the Collector shall notify the tribal-transferor to state his willingness to purchase the land and shall give him the occupancy provided that he is ready to pay the purchase price and to cultivate the land personally and also that the total land held by such tribal-transferor does not, as far as possible, exceed an economic holding as defined in the Ordinance. No civil court shall have jurisdiction over the type of cases to be settled, decided or dealt with by the Collector under these provisions.

Section 181 of the Land Revenue Code empowers the Collector to cause the right, title and interest of the defaulter of government dues in any immovable property, other than the lands on which the arrears are due, to be attached and sold. Under the amendment effected by the Ordinance this power will hold good only if the defaulter is not a tribal.

Section 182 of the Land Revenue Code lays down that if the Collector deems it inexpedient to adopt any of the processes specified in the Code for the recovery of arrears, he may cause the immovable property of the defaulter to be attached and taken under the management of himself or any agent whom he may appoint for the purpose. The Ordinance makes this provision compulsory wherever the defaulter is a tribal, by substituting the words 'he shall' in place of 'he may'. Thus in future in case he is unable to recover the arrears through other processes from the defaulting tribal, the Collector will have to take the land under his own management.

The Ordinance has amended the Bombay Tenancy and Agricultural Lands Act (47 of 1948) in certain respects to prevent alienation of adivasi lands. Section 4B of the Act lays down

that no tenancy of any land shall be terminated merely on the ground that the period fixed by agreement or usage for its duration has expired. This section, because of the new amendment, will not prohibit the Collector from taking possession of the tribals' land which is in the hands of the non-tribals. The same Act makes certain provisions for the termination of tenancies and the right to purchase the land (Section 88C). This has now been amended so that no non-tribal shall have the right to purchase any land duly leased to him by a tribal.

All the above provisions are made to prevent alienation of adivasi lands into the hands of non-adivasis. On paper, they do appear to be quite effective for achieving their objective.

Restoration: The Real Problem

However, the major problem of the adivasis is not the prevention of land alienation in future. The alienation process has been going on for years and very few adivasis have now lands of their own. Besides, they are now aware of the problem of alienation and even under the unamended law the process of alienation was bound to be difficult The real problem is, therefore, that of the restoration of lands which, according to the government, have passed into the hands of the non-adivasis *in contravention of law*. Let us see how the Ordinance proposes to set this right.

Sub-sections 2 and 3 to Section 36 of the Maharashtra Land Revenue Code lay down that occupancies of persons belonging to scheduled tribes in parts of the state so declared by the government shall not be transferred except with the previous sanction of the Collector. If such a transfer is made the Collector may on application by the transferor or his heir for re-possession made within two years of the transfer determine the liabilities of arrears of land revenue and other dues and shall dispose of the application in accordance with the prescribed procedure. Under the new Ordinance a new proviso has been added to sub-section 3 described above. Under this proviso if a tribal has transferred his occupancy to a non-tribal in contravention of sub-section 2 (i e, without the previous sanction of the Collector) or any law for the time being in force, and if such occupancy is in the possession of such non-tribal or his successor-in-interest and has not been put to any non-agricultural use before the commencement of the Ordinance (i e, July 6, 1974), the Collector may, notwithstanding anything contained in any law for the time being in force, either on his own or on application by the tribal made at any time within three years of such commencement, after making such inquiry as he thinks fit, declare the transfer of the occupancy to be invalid and direct the restoration of possession to the tribal or his successor-in-interest.

Thus the tribals can now ask for the restoration of possession of lands that have been transferred to the non-tribals in contravention of the Land Revenue Code, or any other laws in force. They have to do this within three years of the commencement of the Ordinance.

This is the only provision which deals with the restoration of transferred occupancies. However, the provision is limited in a number of ways.

It has been already pointed out that the state government was empowered to declare the areas to which sub-section 2 of section 36 of the Code prohibiting alienation of tribals' lands was to apply. The government accordingly declared these. The restoration provision is applicable only to these areas, so far as lands alienated in contravention of the Code are concerned. This has deprived a number of adivasis living in the areas not covered by the sub-section of their right to apply for restoration. Thus, the restoration provisions coming under sub-section 2 of section 36 of the Code will apply to only a few villages in Shahada taluka which consists of 179 villages and to only one village Umarpati from Sakri taluka which has a number of villages predominantly populated by the adivasis. This restriction on restoration is the most serious limitation of the Ordinance depriving it of its utility.

It is also laid down that the restoration of possession can be ordered only if the occupancy is in the possession of a non-tribal (to whom it was transferred in contravention of the Code or any other law) or his successor-in-interest, and only if the occupancy has not been put to any non-agricultural use before the commencement of the Ordinance. Thus if the occupancy has been sold or exchanged by the original non-tribal who took it from the tribal, the tribal's claim is lost. The same is the case if the occupancy is in the hands of the non-tribal but the land is being put to a non-agricultural use.

Even these restricted provisions do not apply if a non-tribal was rendered landless by reason of acquisition of his land for a public purpose. This exemption appears to have been added to exempt the non-tribals in Kolaba district who were displaced after the construction of the Koyna Dam and who acquired some of the adivasi land in the area of Kolaba district.

Procedure of Enquiry

All this clearly indicates that the government is not very keen about the restoration of land to the adivasis. The restoration provisions apply to transfers which took place in express violation of the then prevalent law. Lands alienated under Sections 181 and 182 of the Code now amended are not given any retrospective coverage. The very fact that these Sections have been amended now to prevent alienation shows that alienation could take place earlier without violation of the Code. This is also true of the Tenancy Laws now amended. The fact that considerable transfers of occupancies took place under these laws has already been mentioned. The amendments of these laws are also not given any retrospective effect. Thus the restoration provisions apply only to transfers which took place in contravention of law and not in contravention of law as it is now amended. In many cases the legality of transfers depends upon the 'previous consent of the Collector'. One is afraid that this may lead to manipulation of records.

The government has to prescribe the procedure of inquiry to be made under the Ordinance. This will have to be done very carefully so as to avoid the pressure of influential parties on the persons conducting these inquiries.

Thus it can be said that while the new Ordinance is likely to be quite effective in preventing future alienation, it will not be at all effective in the restoration of the already alienated adivasi lands. The restoration provisions are very timid and will not meet the problem of the adivasis.

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davp 74/121

Full Circle

TAMIL NADU, the much-vaunted surplus state, has seen a near-collapse on the food front. It has seen the doubling of food prices within four months. It has seen the government offering to landowners a price double that required for them to make a handsome profit. It has consequently seen the price of ration rice upped suddenly in cities other than Madras and Coimbatore, from Rs 1.40 to Rs 2 per kg, with the open market prices ranging between Rs 3-3.50 per kg. In the wake of the agitations then in the major urban centres, where earlier those earning less than Rs 300 per month were entitled to ration rice, it has seen those earning upto Rs 500 were made eligible for the rice distributed. Tamil Nadu has seen its government appealing on bended knees to co-operatives that they sell rice at Rs 2.80 per kg — a price which only a month ago it had held unjustifiable. It has witnessed, and continues to witness, sudden disappearance of rice stocks from the market and ensuing eruptions of food riots. It has seen lathi charges, tear gassing, and the arrest of over 5,000 people in the food agitations. It can also perceive that the crisis will continue to build up in the months to come as the Kuruvai harvest will be considerably delayed following the late release of the water from Mettur Dam.

When, in January this year, 200 women in Madras city took out a procession to the state Food Minister, protesting against the steep rise in prices and demanding more fair-price shops, the Minister had the temerity to preach that they should consider themselves lucky to be living in Tamil Nadu and not in any other state: "Do you know the price of wheat in Bombay? Have you not heard that there is no food in Gujarat?". Six months later, that complacency has vanished. There is panic, as his own partymen are demanding his resignation for fear of a Gujarat in Tamil Nadu, with rice prices reigning at heights unimaginable even a month ago. One could, in fact, sense the gathering storm over the past few months. Yet, when the storm finally broke out in late July, its intensity surprised everyone — including the usually unflappable Karunanidhi.

The epicentre of the storm was naturally Thanjavur, the rice-bowl of

Tamil Nadu. Thanjavur's surplus production feeds not only Tamil Nadu but other deficit states as well. When, in November last year, the government sharply increased the procurement price in Thanjavur, from Rs 53 to Rs 75 per quintal, the landlords of Thanjavur made a windfall profit on the very sizeable surpluses that have been resulting from the 'green revolution'. One of the smaller landlords, cultivating only 23 acres, glibly estimated his profit on the three-month crop to be as much as Rs 20,000 on an expenditure of Rs 8,000; the bigger landlords, of course, would have gleaned far larger dividends. And this, at a time when the state government along with the FCI was effectively the sole buyer, and in a season during which crops cannot be stored owing to rapid deterioration and during which ruling market prices were much lower.

Their appetite whetted, the big landowners thereafter demanded further price increase for the Samba crop, harvested about this time. The Samba crop can be dried and stored; and sure enough the big landlords stored it. An expectant air thus hung over Thanjavur district, while the government's procurement lagged and the price of rice in the other districts crept upward: In Madras, rice was already being sold at Rs 2.50 per kg. The landlords and the paddy dealers did not have to wait long. On the morning of June 12, the state government announced that its 40 per cent levy on traders was abolished and that the ban on rice movement from Thanjavur was removed. Of course, four days later, the ban had to be reintroduced: but, within those four days — an MP of the ruling party announced recently — more than 1,38,332 tonnes of rice from Thanjavur had fled to other districts, at prices 50 per cent higher than the ruling free market prices. While it may be endlessly debated as to whether the landlords and the traders had prior intimation of the lifting of the ban on movement and had therefore stocked up in anticipation, the fact remains that the time-span before the reimposition of the movement restrictions was known to all who needed to beat its deadline for their profit-gathering jamboree. Thus caravans of lorries moved thousands of tonnes of paddy overnight. At places, overworked labourers were paid as much as five rupees a bag to load the paddy into lorries that were queued up to move out with efficiency.

The mission accomplished, the state Food Minister and his officials announced that the price of rice in the state was indeed dropping by 20 to 30 paise per kg. However, the ordinary citizen found that there was no change in the price; instead, the price of rice rose slowly, after a while rapidly, and then the rice became simply unavailable. Meanwhile, in Thanjavur itself, the price shot up by 50 per cent overnight. The wholesale-traders and the rice millers, who had lifted the Thanjavur stocks, clearly had no intentions of parting with them without collecting as handsome a margin as had the landlords of Thanjavur. Thus, one hoarding led to another — despite the official order restricting the stock-level for wholesalers — and the price shot up to Rs 3.50 per kg; in several other places, again, rice simply vanished from the market.

It was the people of Red Hills, a suburb of Madras city, who first decided to solve their food problem by their collective action. Three days after rice had disappeared from the retail shops of the area, a desperate crowd, including a large number of women, stopped a speeding lorry carrying rice. They unloaded the rice and had it distributed. Their action triggered off a series of similar actions throughout the state, with mostly women in the forefront. Retailers in most parts downed shutters, adding to the distress of daily wage earners who had to trek miles, bag in hand, to buy the day's supply of foodgrains. In spontaneous actions all over the state, irate mobs broke open locked godowns, unearthed hoarded stocks, and had them distributed at fair prices.

The Chief Minister was nettled. He admonished the opposition parties for fomenting the agitation, ordered the police to come down heavily on the side of 'law and order', and assured full protection to traders — thus showing himself most sensitive to the plight of the hoarders consequent upon the public mobilisation. He sternly warned the people that they should consider their duty done, once they had passed on the information about hoarding to the relevant authorities!

A group of students of the Madras Christian College, Tambaram, affiliated to the Students Federation of India, decided not to be so dumb as to trust such advice. On August 1, they unearthed 350 bags of rice and 11 barrels of kerosene, and distributed them within a few hours to the women of the area. The police arrived soon enough, but their attempts to round up the students were foiled by the women, armed with broomsticks and kitchenware. The women threw themselves along with their children in front of the police van. The police left without a single prey that day. But that night, plots were evidently hatched between the DMK strongman, the police, and the blackmarketeers. The following morning, the ruffians of the locality beat up the students wherever they could find them. Student leaders — including the national Vice-President of the SFI who went to the spot to investigate the attack on the students — were arrested stealthily, in lonely spots, away from public gaze.

The Tambaram incident is typical of several others that have taken place in the state. Yet, behind the show of force can be discerned a new nervousness in the government. When the CPI (M) declared its intention to hold a demonstration, on August 15, to protest against the price rise, the police started a week before the date to put into preventive custody CPI(M)'s leading cadres.

The Chief Minister, who had as late as on July 16 declared the food situation in the state to be 'satisfactory', had a tough time explaining away the facts staring him in the face. At first, he attributed the price rise to the fertiliser price increase, then to the reported shortage of production, and finally to the fact that "the food scarcity has been artificially created by a few landholders, traders and politicians"! A very strict law, he said, was 'under consideration' to deal with hoarders: The severest action taken to-date, however, has been the cancellation of licences of a few wholesalers and retailers.

But it was in his performance *vis-a-vis* the recalcitrant landholders that Karunanidhi donned his most ferocious mask for the benefit of the public. He demanded that they sell all their surplus rice after setting aside their own six-months requirement; but before this he announced a purchase price of Rs 140 per quintal — double the procurement price of Rs 70.

Thus, Tamil Nadu has come full circle indeed. In the early days of DMK rule, Annadurai had announced a levy of the entire surplus of landholders owning more than 10 acres and vowed to supply rice to the people of the state at 63 paise per kg. He actually achieved this if only for the cities of Madras and Coimbatore, by procuring 8 lakh tonnes of paddy in a year. His successor in the DMK, Karunanidhi, has by now discontinued the levy on farmers, done away with the rupee a measure scheme, and opted to rely more and more on the market forces. With his government having procured less than 1.5 lakh tonnes this year — and most of it at market prices — he has but little choice!

SOUTH

Decisive Conflicts

THE indecisiveness of the Government when confronted with the most challenging crisis since Independence underlines the decisiveness of the conflicts that are now plaguing the country. The vacillation of the Centrists is always greatest when the two main contenders are not only somewhat evenly matched but are also moving forward their respective battalions.

The pace of the inflation threatens to tear asunder the fabric of our national economy. Unless the pace is halted, little will remain of our polity too. The inflation is a declaration of a call to arms by the most reactionary forces in our country. It is these forces, holding strong positions in the state and in the ruling party, that are now making a bid for total power. The path of independent capitalist development having reached a dead-end, the neo-colonialists, the monopolists, and the landlords, have taken over in India. They cannot be held at bay by a defence of the *status quo*. They have to be defeated by a radical change in the balance of forces and a radical transformation of our socio-economic structure. But these require the defeat of these forces, which cannot be secured except by frontal attack by mobilising and uniting all the forces threatened by reaction, by winning the active support of some and securing the neutralisation of others.

The South has been, and is today, an integral part of what is clearly a nationwide process.

In Tamil Nadu, in particular, it is evident that attempts are under way to make the state one of the springboards of an all-India reactionary offensive. The passing by the Tamil Nadu Assembly of the DMK's resolution on the so-called autonomy of the state was not a mere formality. It showed the direction of the political campaign. Creation of anarchy is an integral part of the Right offensive, which seeks to utilise the acute discontent, frustration, and anger of the overwhelming majority of the people — but for the victory of the very forces that are responsible for the present miserable state of affairs. One of the best ways of doing this is to work upon regionalism; and this is the role assigned to the DMK, the leadership of which has willingly taken it up. The resolution, the implementation of which would nullify our national identity, came significantly at a time when anti-Malayalee riots were also worked up. Even more significant was the remark that there could not be two Keralas in the South. While the target of this aphorism of Karunanidhi was M G Ramachandran and the ADMK, which has just walked away with a major part of the ruling party's mass base, its historical implication can not be lost sight of. Kerala, after all, is not only the homeland of the Malayalees. It is also the scene of the real alternative to the Right — a Left and a democratic coalition. It is not only chauvinism that Karunanidhi is using against the Malayalees. It is also an economic squeeze. It is an intolerable fact that rice which was bought in Tamil Nadu at less than Rs 2 per kilo was sold at over three times that price in Kerala. And now, the chickens have come to roost with the shooting up of the price of rice in Tamil Nadu itself. The extensive smuggling network, with its headquarters in Madras, has worked its way down into the villages and seeks to build an entire system of parasitic trading capitalism which is nothing but the commodity face of black money.

Tamil Nadu thus presents something of the classical case of the perverted transformation of the petty bourgeoisie — or, rather, of segments of it. Petty commodity production is sucked up into merchant capital whose trading profits depend on contrived difficulties in production and obstacles in the way of exchange. It is an illustration of the fact that when monopoly capital is superimposed on a weak industrial base, the capitalist breakthrough at the grassroots and on a wide foundation is rendered impossible. The breakthrough of the productive forces in India, therefore, is not possible along the capitalist path given the structuring of contemporary Indian capitalism. The downfall of the DMK and its present degeneration is a symptom of this disease at the petty bourgeois level just as the decline of the Congress and its degeneration is more indicative of this at the bourgeois level.

But the transitional difficulties it creates is demonstrated in the case of Kerala. The Left and the democratic coalition government there suffers from the important weakness of not having the support of the CPM. What is emerging as a significant point of contention is the relation between the implementation of the democratic programme in Kerala and the present shift to the Right in the economic policies of the Central government. Radicalism in Kerala has to be combined with a struggle against anti-radical or even non-radical policies at the Centre. One cannot support the shift to the Right at the Centre and at the same time press for decisive and speedier thrusts to the Left in Kerala. More particularly it is quite impossible not to struggle, in appropriate forms, to secure the acceptance by the Centre of certain radical measures which have already been unanimously accepted in Kerala, e g, the nationalisation of foreign plantations. At the same time radical democratic transformations cannot finally be carried through without doing much to raise the living standards of the masses. Failure to show material results for the lives of the people creates extremely critical situations. It requires a very high level of political and social consciousness among the masses if they are not then to fall a prey to the siren songs of reaction. Soaring prices and severe scarcity are creating a great deal of frustration and demoralisation, and even anger among the people. But, in this sphere, the chief responsibility lies with the Centre and unless it moves in the correct direction the state government can do very little. The energetic youth wing of the KPCC has to realise this.

Perhaps, Kerala's record can be seen in its best light when compared with that in Andhra. It is true that the rains have behaved more than a trifle erratically in Andhra but the food position in the state is comfortable. Yet the prices of essential commodities are rising at a pace which is discomforting for the masses. There is also a freeze on significant development, lack of growing job opportunities, and a stagnant society which presents an altogether depressing picture. Though all the objective conditions for Andhra outpacing Kerala exist, the subjective factor lags so much behind that one can scarcely compare the two states in this respect.

The separatist storms in the Telengana and Andhra regions seem to have taught the Congress leadership in the state next to nothing. The separatists have all streamed back and been given vantage positions in the organisation and the Ministry. They are lying low at the moment, but there is no guaranteeing that their acquiescent mood would persist. Such a knocked-together or-

ganisation is also totally incapable of carrying out any basic radical agrarian reform which Andhra so desperately needs. This stagnant *status quo* is almost as dangerous as the Rightist stance of Karunanidhi in Tamil Nadu and the agitation that Namboodiripad is planning against the United Front in Kerala.

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NORTH

Power for the Sake of Power

THE pursuit of political ends has lately taken the form of pursuit of electric power. Having realised that adequate supply of electric energy to the rural areas yields handsome political dividends, Ministers have been spending much time and energy on this problem. On June 6, at Simla, Punjab and Himachal Pradesh agreed in principle to collaborate in the execution of various projects aimed at utilising the vast hydel potential of the hilly state of Himachal. The two states decided to define the mode of co-operation. They then appointed a 'working group' to work out the details of the accord. This group included the chairmen of the states' Electricity Boards, their financial and technical experts, the Chief Irrigation Engineers, and representatives of their respective Law and Finance Departments. Although several basic issues — including the share of each state — remained unsettled, Punjab and Himachal Pradesh got Haryana to join them in suggesting to the Centre that plans should be formulated for the region as a whole for power generation over a decade — instead of, as earlier, over a five-year period.

At the high-level talks in Chandigarh on July 27, Punjab and Himachal Pradesh officials claimed to have made satisfactory progress, especially on inter-state collaboration for exploiting the hydro-electric potential of the Sutlej and Beas basins. Among the projects agreed to at the meeting was Naptha-Jhakri with a total power-generating capacity of over 900 mw and firm power capability of about 300 mw. Since then, Himachal Pradesh has gone on to oppose the idea of the inter-state power tariff being fixed by the Central Electricity Authority (CEA). A spokesman of the state government said mutual agreements on tariffs would be ideal, as that alone would safeguard the interests of the smaller states against the big power consumers. Smaller states, like Himachal, he urged, should also have the choice to split up their State Electricity Boards according to their financial and administrative convenience. But, with the Bhakra experience in mind, the Himachal government's main demand has been for substantial royalties and the right to at least 50 per cent of the power generated from a project at generation cost by way of compensation for having tackled the economic, human and social problems created by the location of hydro-electric projects in its territory. Rehabilitation of those displaced and loss of fertile river banks are problems that are posed for the states in which power projects are located; hence the case for adequate compensation. The resettlement of those displaced by the Pong Dam in Rajasthan led to prolonged disputes between Himachal Pradesh and Rajasthan.

While the discussions between Punjab and Himachal on power have so far proceeded without a major hitch, there is a major deadlock in the talks between Haryana and Himachal. While Himachal is firm on the issue of handsome royalties for the irrigation and power resources emanating from its territory, Haryana finds that it cannot afford such a high price. Haryana's bargaining position is, however, weak; it has hardly any hydel source of its own, and has to depend almost entirely on the neighbouring states for its power requirements. Haryana contends that Himachal Pradesh is entitled to only the profits on the funds it invests in a particular project. While Himachal's financial resources are extremely limited, it is rich in natural resources — including river waters. The state has an influential supporter in the Union Planning Minister, D P Dhar, who recently supported Y S Parmar's contention that water flowing through a state should be regarded as a natural resource of that state. Thus, Haryana is fully aware of its handicap; its main hopes are thus pinned on the fact that Himachal has extra resources. The total generation from its own two major thermal plants, at Faridabad and Panipat, is anyway far short of its requirements. Himachal, reportedly, has now climbed down on the issue of royalties — which may pave the way for an early settlement. Idle tube-wells and crippling power cuts on factories may thus yet be overcome.

While Haryana's Chief Minister, Bansi Lal, may have much to worry about on hydel and thermal power, he should be gratified over the manner in which he has lately consolidated his political power. The Haryana Assembly's 22-day monsoon session, which concluded on July 29, established his supremacy. He managed not only to ward off all attacks — even on such explosive issues as the Riwasa and Barwala scandals — but also queered the pitch for his critics on many other fronts. The victory of the Congress candidates in the Rajya Sabha by-elections, held on July 29, was another feather in his cap; the poll results revealed that in the 81-member state legislature, only eight members are opposed to the Chief Minister: four of these opponents belong to the BKD, two to the Jan Sangh, and two to the Congress(O). His hegemony in the state's politics today is also evident in the fact that the strength of the opposition has dwindled from 29 — when the present Assembly was elected — to barely eight today. The defectors have been won over with baits of lucrative posts or just demoralisation.

While Bansi Lal has adroitly managed to eliminate the dissidents in his state, his counterpart in Himachal, Y S Parmar, currently the seniormost Chief Minister in the country, finds himself in troubled waters — again owing to the revival of activity by the 18-strong breakaway group in the legislature Congress party. These dissidents, who seem determined to disoldge him from the party leadership, have decided to submit a fresh memorandum of charges against him to the Prime Minister and the Congress High Command. The memorandum, which was recently carried to New Delhi by a three-member delegation headed by Salig Ram (a former Minister who was dismissed by the Governor last winter on Parmar's suggestion) contains charges of corruption, abuse of power, and victimisation of political rivals within the party. Though the High Command had not pursued the charges against Parmar contained in the earlier memorandum, the dissidents claim that they are now being examined at the highest level.

Parmar's supporters derive comfort from the fact that, despite sustained efforts, the 18 dissidents have not been able to muster further support but there are rumours that a Minister had offered to join them provided he was made leader of the group. Sarla Sharma, the only remaining dissident minister in Parmar's team, disavowed that she had defected to the majority group; she has in fact pleaded with the dissidents not to actively associate her name with their anti-Parmar activities because she does not wish to defy the High Command's directive. Another leading dissident, Gian Chand Totu has also discounted rumours and reaffirmed his loyalty. Parmar, meanwhile, is reported to have privately expressed his desire to make way for a younger man — possibly PWD Minister, Ram Lal, whose claim he strongly espouses.

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The Islamic World and Muslim Minorities

Pran Chopra

THE dominant theme at the recent fifth Islamic Conference of Foreign Ministers in Kuala Lumpur in June was Palestine, an issue which evokes a strong Islamic affinity between many Muslims. But so closely does it mingle with two other affinities — the ethnic between the Arabs and the recognition even by non-Muslims of the political rights of the Palestinians — that Palestine is not a correct barometer of the strength of the Islamic affinity. Nor is a correct measure of Islamic affinity to be found in the strong support extended by the Kuala Lumpur Conference to the liberation movements in Portuguese Africa or other territories which are still under colonial rule as this is a case of an affinity between peoples who have recently won freedom and those who are struggling for it.

But when the Conference took up the question of the treatment of Muslim minorities in free and independent non-Muslim countries, especially the Philippines, it came close to furnishing a true measure of how far Muslim countries think it proper to carry religious affinity. The discussion on this question showed a most interesting play between constitutional rectitude and concern for fellow Muslims. The way this play works out in future will largely help to determine how trans-national Islamic affinities will adjust themselves to the demands of national sovereignty. The play will fluctuate according to the intensity of the feelings aroused by individual situations. But it is the general direction of the future adjustment which matters and the beginning of that may have been set by the Kuala Lumpur Conference.

The most conspicuous case which came up for discussion was of course that of the Moro Muslims of the southern Philippines. The case is recent but has been marked by turbulence — concern for the Moros contending furiously with a desire not to interfere in the internal affairs of the Philippines. The subject first came up at the third Islamic Conference of Foreign Ministers, held at Jeddah early in March, 1972. The Conference expressed "serious concern" but at the same time "deemed it necessary to seek the good offices of the government of the Philippines to guarantee the safety and property of the Muslims in the Philippines *as citizens of that country*" (emphasis added).

With reports of a more alarming situation before it, which spoke of "repression and mass extermination of Muslims", and meeting in the relatively more heated atmosphere of Benghazi, Libya, the fourth Islamic Conference of Foreign Ministers "called upon" the government of the Philippines to protect the lives and property of the Muslims and to "halt organised Christian migration from the north". (No hesitation about domestic interference here). It also decided to create a fund to help the Moros.

But the subject was given a quieter treatment by the Conference at Kuala Lumpur. This could be because the situation was now a little less bloody, though bloody enough, because the diplomatic temperature of Malaysia is usually much lower than that of Libya and because ASEAN diplomacy had intervened in the meantime.

But whatever the reasons, the resolution adopted at Kuala Lumpur first of all took note of the "steps taken by the Philippines government to improve the condition of the Muslims" and only then "urged" it to "find a political and peaceful solution through negotiations with the Moro National Liberation Front". At the same time, while "calling upon the Philippine government to bring about the necessary climate of confidence ... by immediately desisting from military operations" against the Moros, the Conference made it clear the solution should be "within the framework of the national sovereignty and territorial integrity of the Philippines".

While appealing to peace-loving states to use their good offices with the Philippines government, the Conference recognised "the problem as an internal problem of the Philippines". It decided to set up a relief welfare agency for the Moros under the control of the proposed Islamic Solidarity Fund, but it also undertook to discuss the modalities of the agency's work with the Philippine government.

There are other more interesting and revealing reflections of attitudes. In spite of a long and frequently active dispute between the Philippines and Malaysia over the Malaysian territory of Sabah, and Manila's largely unjustified allegation that Kuala Lumpur is aiding the Moros militarily and financially, neither the Malaysian Prime Minister in inaugurating the Conference nor the Deputy Prime Minister in his speeches as chairman of the plenary sessions nor the Information Minister as the *de facto* leader of the Malaysian delegation made any reference to the problem.

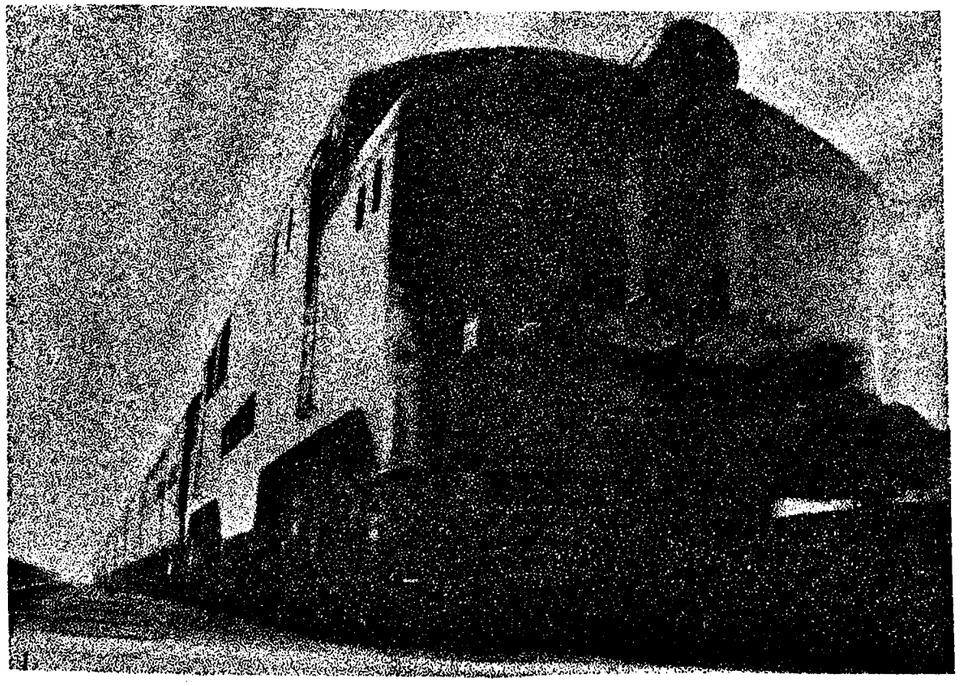
Secondly, out of the fifty or so speeches made at plenary sittings by the delegates of the 38 participating countries, there was a reference to the Philippines only in five — the Turkish, Afghan, Indonesian, Libyan and Somali — so that public airing of the subject was confined (apart from these speeches) to the publication of the resolution which was the product of a closed door committee discussion.

The Turkish delegate referred to the subject only, as the context made it clear, to buttress his demands on behalf of the Turkish minority in Cyprus. The Afghan delegate only urged that the right of the Moros be upheld as "loyal citizens of the Philippines". The Indonesian delegate, Adam Malik, while expressing "legitimate concern", urged avoidance of "any semblance of infringement upon the sovereignty of the Philippines", thanked President Marcos for accepting the establishment of a Muslim welfare agency and praised him for "sincerity and willingness" in working towards "an integrated Philippine society in which Muslims can assume their rightful place". Malik added, "The first positive steps have already begun".

The Libyan delegate was more forthright. This was both because Libya is an admitted source of "all kinds of aid to the Moros" as the delegate put it at a press conference later and because it was a member of the four-country deputation sent to the Philippines by the fourth Islamic Foreign Ministers Conference. The delegate talked of the "plunder, killing and liquidation" of the Moros and denied that Marcos was doing much for them. He also asked the Conference — the only delegate to do so — to hear an unofficial and uninvited Moro delegation which was waiting outside. It remained outside. But the Libyan also made it clear at his press conference that he was opposed to secession and all he meant by the "political settlement" demanded by him was some form of local autonomy; he claimed the Moros would accept it.

It was the Somali delegate who dwelt longest on the subject: he presented the report of the four-country deputation. The report is very damaging for Manila and condemns "the renewed wanton killings of Muslims". But, he presented with prefatory thanks to Marcos for the welcome extended to the deputation and for his efforts "to find socio-economic programmes as a means to solve the problems of the Muslims", all that it specifically demands for the Moros is restoration of property wrongfully taken away from them, protection against future persecution and equal rights in the south in the political field, in econo-

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mic institutions, power organs, the administration and the armed forces.

Both facts are important: that these demands were made by foreign countries on behalf of a minority in a sovereign country and that what was demanded was only equal rights, somethink which most governments normally do give to all their citizens or at least claim they do. Marcos himself defends a similar solution, ruling out a military answer, and he did so again on June 29 while honouring the Foreign Minister of Lebanon, one of the delegates to the Kuala Lumpur Conference and party to the resolution adopted by it.

South-East Asia's only other Muslim minority problem, that of a Muslim dissidence which is going on in southern Thailand (though with nothing like the violence going on in the southern Philippines) and which some Thais, but not the Thai government, allege is being aided by some Malaysians (not by the Malaysian government, even according to the allegations), figured much in Kuala Lumpur and Bangkok simultaneously but outside the Conference. A senior cabinet minister who represents the small Islamic party in Malaysia's coalition government, addressing a meet- of his own party, supported the Thai Muslims' demand for autonomy. The Thai Foreign Office and the National Assembly took strong exception to this, Thai students demonstrated outside the Malaysian embassy in Bangkok and for a day the subject looked hot enough to break into the Conference.

But what is relevant in this context is that it did not. The Malaysian government bent over backward to say officially that what the minister had said was not the government's policy, which remained one of strict non-interference. The Thai government fully and publicly accepted the assurance and asked the students to go home. The Thai government also invited the secretary-general of the Conference to visit southern Thailand and see the conditions of the Muslims himself.

Bangkok, Kuala Lumpur and Conference sources equally emphasised the fact that it was the Thai government which extended the invitation on its own, without pressure from anyone — the relevant point about this being that the very existence of the Conference has its impact even upon non-Muslim countries but does not always amount to uninvited external interference.

Of greater importance and wider significance and interest is the impact of the Conference upon the views of Islamic countries about the larger question of Muslim minorities in general. In various forms, the item has been before the Islamic countries as a whole ever since they came together in Rabat in 1969 to form the Islamic Conference; it has been before individual Islamic countries, for example Pakistan, for much longer. Among the Conference objectives listed in the Declaration adopted at Rabat is "to strengthen the struggle of all Muslim peoples with a view to safeguarding their dignity, independence and national rights". In the communique of the third Conference held in March, 1972, this is amplified to mean "the welfare of Muslim communities throughout the world" and the secretary-general was directed by that Conference to "collect statistics and prepare studies on the condition of Muslim communities in non-Muslim countries".

The fourth Conference, held a year later, for the first time had a full item before it on "the situation of Muslims throughout the world" and in the resolution adopted by it the Conference appealed to "countries with Muslim minorities to respect those minorities and their culture and beliefs and grant them their rights in accordance with the UN Charter and the Universal Declaration of Human Rights." What is more, the Conference appealed to "Islamic states to extend aid to Muslim minorities in order to raise their religious, cultural and social standards".

Thus primed, the subject was firmly placed before the fifth Conference at Kuala Lumpur by the secretary-general. Believing, as he said in his report, that the Conference was "'greatly interested in linking the fate of the Islamic minorities with the march of the Islamic nations throughout the world", he proposed that a conference be called of "representatives of the Islamic minorities in the various continents of the world".

Here was an occasion, then, with a more than adequate and meaningful background, for the Islamic countries of the world, of whom more had gathered at Kuala Lumpur than at any other Conference in the Islamic series, to take up their posiitons on the comprehensive general issue of Muslim minorities, unencumbered by the particularities of any situation. Therefore, what they did or did not do so is of some significance.

First, what they did not do. They did not support the proposal of the secretary-general. In fact no one spoke about it at all in the plenary sessions and if the subject came up at all in the committees it did so inconspicuously. Regarding the general issue of the minorities (other than the Palestinian sand Moros), 35 of the 38 delegates did not speak about it at all in the plenary sittings.

Of the three who did, one was Turkey, whose reason for doing so has been discussed already. The second was Libya, which urged "political support at least" to help safeguard "the rights of Muslims everywhere and in all countries". The third was Indonesia, the country with the largest Muslim population in the world. What its Foreign Minister, Adam Malik, said is therefore at least as significant as what the Libyan said.

Malik described the Muslim minority problem as "rooted either in the legacy of a colonial past or in the neglect by central governments towards outlying regions or both". (Among the outlying regions he probably had southern Thailand and the southern Philippines in mind.) Political and sometimes physical strife, he said, has resulted, "often seriously affecting the integrity of the nation concerned and further aggravating the plight of the minorities". But he added, "Being essentially an internal problem, the best possible way that we could assist is to persuade and urge the government concerned to take positive and deliberate steps to create such conditions that would enable the minority group in question to integrate into the mainstream of national life as full-fledged citizens, without in any way having to lose its cultural or religious identity. In fact not only the government but the minority group in question should participate and contribute actively towards the creation of those conditions".

This is not very different from the advice Nehru used to give about communities of Indian origin in countries strung out along the Indian Ocean or the advice China's leaders give today about Chinese communities around the Pacific Ocean. But it is very different from the thoughts implicit in the proposal and comments by the secretary-general, which makes it more significant still that the Conference did not accept the secretary-general's proposal and did not in any way encourage his comments.

This then is the view the Kuala Lumpur Conference took of the general problem of Muslim minorities and its particular manifestations in Palestine, the Philippines and Thailand. How representative and deliberate is this view and how durable? Representative enough, I think. No Islamic country of any consequence, that is with a majority of Muslims in its population and with a leadership which is by and large Islamic, was unrepresented. Deliberate as well. The issue was clearly

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before the delegates, both in its general and specific aspects, with a choice of two broad approaches on each aspect. The choice of the sides taken by the delegates was therefore not without meaning, even if many signified their choice only through silence, for example by not speaking about the Thai Muslims.

Durable? There are some doubts here. The secretary-general, Tohamy, an Egyptian, is not very popular with many delegates, especially the Saudis, and Saudi preference tells; that may have added to the unpopularity of his proposals and thinking. Secondly, many countries have strong domestic reasons for being cautious on the question of minorities and in some like Indonesia and Egypt there is a conflict between the ruling regimes and extremist Islamic parties. Neither Tohamy nor these reasons enjoy political immortality. But these doubts are marginal to the main issue. Foreign Ministers do not commit their governments for or against a proposal on the basis that they like the proposer or not. And the domestic reasons, when you analyse them, are the natural products of durable situations. Many Islamic countries are themselves as pluralistic in different ways as many non-Islamic ones and therefore equally vulnerable to 'interference' in their domestic affairs. If they opened the door to interference of one kind, many other kinds may rush in too, and examples of this vulnerability are plentiful in Africa, West Asia and South and South-East Asia.

Therefore, it can be firmly concluded: that the extent and type of interest which Islamic countries take in Muslim minorities in independent countries is not to be judged by what they do about Palestine or various colonies; that they will take an active interest where Muslims face the kind of grim situation which confronts the Moros in the southern Philippines — this interest may well amount to interference in the domestic affairs of the country concerned, but even in such cases they will seek to proceed with the consent if not approval, of the country concerned; that they will not as a group support the secessionist aspirations of any Muslim minority, whether they refrain out of prudent regard for their own domestic situations or out of respect for constitutional propriety; and that they will, however, seek to promote the cultural and social well-being of Muslim minorities, but not without the approval of the country concerned.

These views of theirs may not be permanent but no causes of a drastic change are visible at present.

REVIEWS

Muslims in India: Part of the Larger Problem

Imtiaz Ahmad

The Muslim Dilemma in India, by M R A Baig; Vikas Publishing House, Delhi, 1974; pp 169; Rs 25.

MANY stereotypes are current about Muslims in India. It is widely held that they are socially and economically backward, that they are characterised by a separatist political orientation, that they are keeping themselves aloof from the mainstream of Indian national life, and that their religious faith constitutes a serious barrier to their 'modernisation' in a changing world. The first task of any serious attempt to understand the group should be to test the validity of these stereotypes in the light of factual evidence. However, there have been few attempts of this kind so far. On the contrary, the more pronounced tendency in the writings on Muslims has been to accept as valid these ideas and stereotypes. There are many reasons for this tendency.

First, the empirical study of Muslims has been rather slow to develop in India. To date, the Muslims have been treated either within a framework of 'classical oriental studies' or even less satisfactorily as an ancillary subject of historical studies. One of the consequences of these approaches to the study of Muslims has been that a highly textual and scriptural study of Islam has been used to generalise about the group as a whole — without heeding the chasm which usually divides the scriptural religion from the actual beliefs and behaviour of the Muslims.

Secondly, the tendency is fostered by the common belief that it is easy to speak about Muslims without any scholarly study of their beliefs and behaviour. Everyone 'instinctively' feels that he is an expert on Muslims, and that what he knows about the group from personal experience can be an adequate basis for generalising about them. There is scant perception of the fact that, what one knows from personal experience about a group is a strange blend of fact and fiction — indeed, even prejudice — so that commonsense generalisations from such experience can be both erroneous and misleading.

The third factor responsible for such glibness is the prevailing demand for studies and information on the Muslims. It would be unnecessary here to go into a discussion of the reasons for the current interest in Musilms. But that there has been a sudden spurt of interest in information on the Muslims, can be easily seen from the commercial success of the few studies on the group which have appeared in recent years. The specialists have failed to respond to this growing need for work on Muslims, as they have been reluctant to produce scientific analyses in an area where even basic research has not been done. In the circumstances, books on Muslims have been written usually by non-specialists — many of whom have readily pronounced views about the group without having any special understanding of the group's ethos or of the material and political conditions under which they live out their day-to-day relationships.

This is the background against which we should view M R A Baig's recent study of the Muslims in India. Baig examines the problems facing the Muslims in contemporary India. In doing so, he seeks to trace — albeit briefly — the origin and development of Islam : its theological make-up, the theological, socio-cultural and psychological origins of what has been termed 'Muslim separatism' as it culminated in the creation of Pakistan, and the nature and sources of the problems facing the Muslims since Independence. The author's contention is that Islam represents the quintessence of a dogmatic and institutional religion and that the community's destiny in India has been inextricably influenced by the character of that faith conceived as a unity.

This is too wide a canvas to try to paint with the available colours. That the author attempts the task at all bears testimony to his sense of enterprise as well as to his refusal to be daunted by the paucity of reliable data about Muslims. That he has been only partly successful is, therefore, easily understandable. What results is a combination of factual statements, personal impressions, polemical arguments, and sweeping generalisations. And these are asserted with an uncanny boldness, though they are rarely supported by any systematic body of scientifically derived data.

Let me illustrate this briefly. At the

outset, Baig postulates a series of what he calls 'theses' about Muslims in India. Some of the theses are hardly more than propositions. For example, he postulates that the Muslims, as a group, are steeped in backwardness. He explains this by reference to the relatively static character of their faith. Now, it is true that there is a widespread belief among the Muslims themselves that they are sinking into backwardness, but a really dispassionate analysis of the group would show that the effect of economic development and social change upon the Muslims has been quite varied. Some Muslims have benefited from the developmental process and social changes since Independence. Others have remained largely unaffected. Still others have experienced a decline. The right approach in the face of such diversity, would be to examine the validity of such propositions in the light of empirical details. Instead, presumptions (such as that of backwardness) are usually accepted as valid, and certain generalisations are then deduced from them.

The 'dilemma' identified by the author is thus merely the direct outcome of the propositions with which the book starts. It is his contention that Muslims in India are continuing to adhere to a version of their faith which is completely out of tune with contemporary times. The dilemma, therefore, is whether they should continue to adhere to an outmoded version of the Islamic faith or whether they should undertake its revision and reform in accordance with the demands of the times. Baig's conclusion is that Islam is eminently capable of such reform. And he pleads for the acceptance of humanism as a way out of this dilemma.

The central argument of the book is likely to arouse a strong reaction among orthodox Muslims. But, more important, the author's contentions about Islam and Muslim failure to respond to changing historical situations, are questionable on the purely scientific plane. Can one presume that Islam, as practised in India, is truly a derivation from the Koran and the Shari'a? Or, is it a very specialised version of that faith, showing the unmistakable impact of the local situation and the national environment? Is Islam actually a static tradition, frozen in time, as it were? Or, has it been an evolving and accumulating tradition? One wishes that an attempt had been made to deal with these questions.

I mention these points because my own studies of Muslims in India over the years have led me to conclude that the social reality that characterises Islam and the Muslims in India is far too complex to lend itself to facile generalisations. Even as the author himself admits, adherence to orthodox Islamic tradition in India — as indeed elsewhere — persists side by side with a continuing tendency towards accommodation and compromise reached through *ijtihad* or interpretation. No doubt, this *ijtihad* is being exercised on a personal plane and that those who exploit it are hardly believing Muslims. But it is therefore interesting that they are nevertheless so regarded by Muslims and non-Muslims alike.

To point to the book's inability to come to terms with the complex social reality and the difficulties in generalising about Muslims, is not to undermine the book's specific usefulness. Something is to be said for sketches as for oils: the author's sketch should be able to generate a process of critical thinking and discussion among Indians — Muslims and non-Muslims alike — about the serious implications of the presence of a group that carries an essentially poor estimation of its own future prospects.

This brings us to the author's plea for the acceptance of humanism by Muslims as a way out of their contemporary social and religious dilemma. While humanism has a great deal to commend itself, the question is not whether it should be adopted by Muslims. As I was reading this book, newspapers carried reports of a man having killed his two sons in order to propitiate a local deity in Rajasthan, of several persons having died of starvation in Bihar, and of ten persons being killed in 'communal' riots in Delhi. The question is whether one can talk of acceptance of humanism in a society characterised by widespread poverty, superstition, human indignity and deprivation. Should not our effort be directed to the creation of those structural conditions that can give substance to secularism as a way of life?

The Origins of Mozambique's Revolution

Lawrence J Sakarai

Eduardo Mondlane by an anonymous author; Panaf Great Lives, Panaf Books Ltd, London, 1972.

PANAF Books' Great Lives series has been written by people involved in Africa's revolutions who can thus write from first-hand knowledge. These writers were given the task of critically assessing the lives and work of great African revolutionaries. One of the anonymous authors has written two books in this series — on Patrice Lumumba and on Mondlane.

The author has been painstaking in his work; he has examined Frelimo's documents, has had several interviews with Mondlane's wife, Janet, and has been able to go through some of Mondlane's unpublished essays. From these primary sources, the author has attempted to construct Mondlane's role in Mozambique's revolution.

This book flows out of a commitment to revolution in Africa. In various ways this is perhaps the book's strongest point. It traces Mondlane's early life, his period of academic work and his activities at the UN and ultimately his formation of the Front for the Liberation of Mozambique (Frelimo). From 1962 to 1969 (when Mondlane was assassinated), Frelimo advanced from one position of strength to another under Mondlane's guidance. Its guerilla forces grew from 250 men to 8,000 in under five years. These numbers do not include its unarmed cadres and People's Militias.

Mondlane's views on tribalism, racism, the role of women, the Caborra Bossa Project, the class struggle in Frelimo — all are discussed, not in great detail, but just enough to appeal to the reader who desires a firm basis for understanding Mondlane's dedication to the downtrodden, oppressed and exploited people of Mozambique.

The strength — and basic weakness — of this book is its simplicity. For example, the class struggle within Frelimo, which is a national liberation movement, is not suitably analysed, so that one cannot understand how Frelimo is able to contain the contradictions that arise within the movement. The important questions which are left unanswered are: Whether the class struggle will force Frelimo which is fighting a bourgeois democratic revolution to change its character? Will Frelimo be forced to move on to newer, higher forms of struggle? Another point that is glossed over is the Frelimo split in 1965 leading to the birth of the Revolutionary Committee of Mozambique (Coremo). On what basis did this split occur? What were the essential points of difference between Frelimo and Coremo? The author does not discuss these key questions. This leaves too many things unsaid and unanalysed. The book concerns itself primarily with documenting Mondlane's revolutionary life in Frelimo. And this it does well.

Sign of the Times

Nireekshak

IN the national daily circuit, the editorial musical chairs have about them the same mystique that goes with Union cabinet reshuffles. There are contenders from within, besides expatriates and superannuated editors from without. And with every round of reshuffle, each daily looks so much more like the other, adding to the monotony.

A chair vacant for a long time and coveted by many is that of the late Nandan B Kagal, Delhi editor of *Indian Express*. It is not going to be filled yet. But in a few weeks, Ajit Bhattacharjea, a former editor of *Hindustan Times* who is now a senior Assistant Editor of Times of India in Bombay will begin functioning from the Express Building in New Delhi. He will be the editor of *Everyman*, described in ads as JP's weekly.

Everyman has a complex geneaology. It was launched as the weekly journal of the Lok Niti Parishad. Jayaprakash Narayan was to find the funds for the editorial expenses of the weekly and *Indian Express*, Delhi, was to print and distribute it. It was launched with elaborate preparation, with the well known Hindi writer Vatsyayan ("Ageya") as its editor. It was produced largely by non-professional journalists of semi-Gandhian persuasion and did not quite take-off. A few months ago, when JP found he could not raise funds for the editorial expenses, the weekly quietly changed its home. It began to be edited from the Express Building. The founder editor had left. An agreement had been made between the Lok Niti Parishad and *Indian Express* (Madurai) Ltd, which runs the southern editions of *Indian Express*. Ramnath Goenka, India's number one newspaper wizard, has offered to run the weekly for the Parishad for five years and make it a viable proposition during this period.

But in practice, the new look *Everyman* purveyed very little Lok Niti besides publishing signed articles and public statements by JP and lapsed into a by-product of *Indian Express* whose editor-in-chief, S Mulgaokar, is also a member of *Everyman*'s board of advisory editors. Nevertheless, the weekly has begun to look more professional and picked up circulation, from 2,000 to some 16,000. The acting editor, Radhakrishna, is a functionary of the Lok Niti Parishad which still technically owns the weekly.

Under Ajit Bhattacharjea's editorship, *Everyman* is expected to become completely independent of *Indian Express*, though it would continue to be run under the same managerial set-up. It might well acquire the virile political tabloid personality it lacks now, of course within the constraints JP's own politics will impose. Ajit Bhattacharjea was the centre of a mini-controversy recently. He wrote a very critical assessment of Jawaharlal Nehru to mark his birth anniversary on May 27 in *The Times*, London. The Left Establishment weekly, in New Delhi, *Mainstream*, could not stand this. It reproduced the article under the tendentious caption, "A Harlot's Pen", and a prefatory paragraph insinuating that those who dare not write things in their own dailies choose to say them in foreign papers. Judging by the ire of the weekly, the powers that be in New Delhi have not taken kindly to Ajit Bhattacharjea's article. Incidentally, *Times of India*, which lent full support to the government's strong-arm methods during the railway strike, is upheld in official New Delhi as the ideal left-of-centre newspaper the right-of-centrists would do well to emulate. So much so, the government has decided to hand back full control of the *Times of India* chain to the Jains sometime in 1975.

In recent weeks, the government was annoyed with a national news agency over the cables of its Gangtok stringer during the June developments there. The agency was quietly told not to use the stringer's copy anymore. Worse, the agency began fudging stories from New Delhi — on the basis of official briefings — with the Gangtok dateline. The stringer ruefully pointed out that such a practice created a great deal of embarrassment for him in Gangtok.

There is yet another instance. The news editor of a national daily sent out a circular to his correspondents in Uttar Pradesh to file detailed reports on the progress of the numerous development projects the Prime Minister had inaugurated as part of the pre-February election bonanza. Someone in the government came to know of the circular and the news editor was told over the telephone by someone claiming to be from the Prime Minister's Secretariat not to be too smart and zealous about his role as news editor. So that was that. No paper has thought it fit to do a follow-up on all those mythical paper projects which netted a few million votes in the cause of socialism, secularism and democracy under the infallible leader.

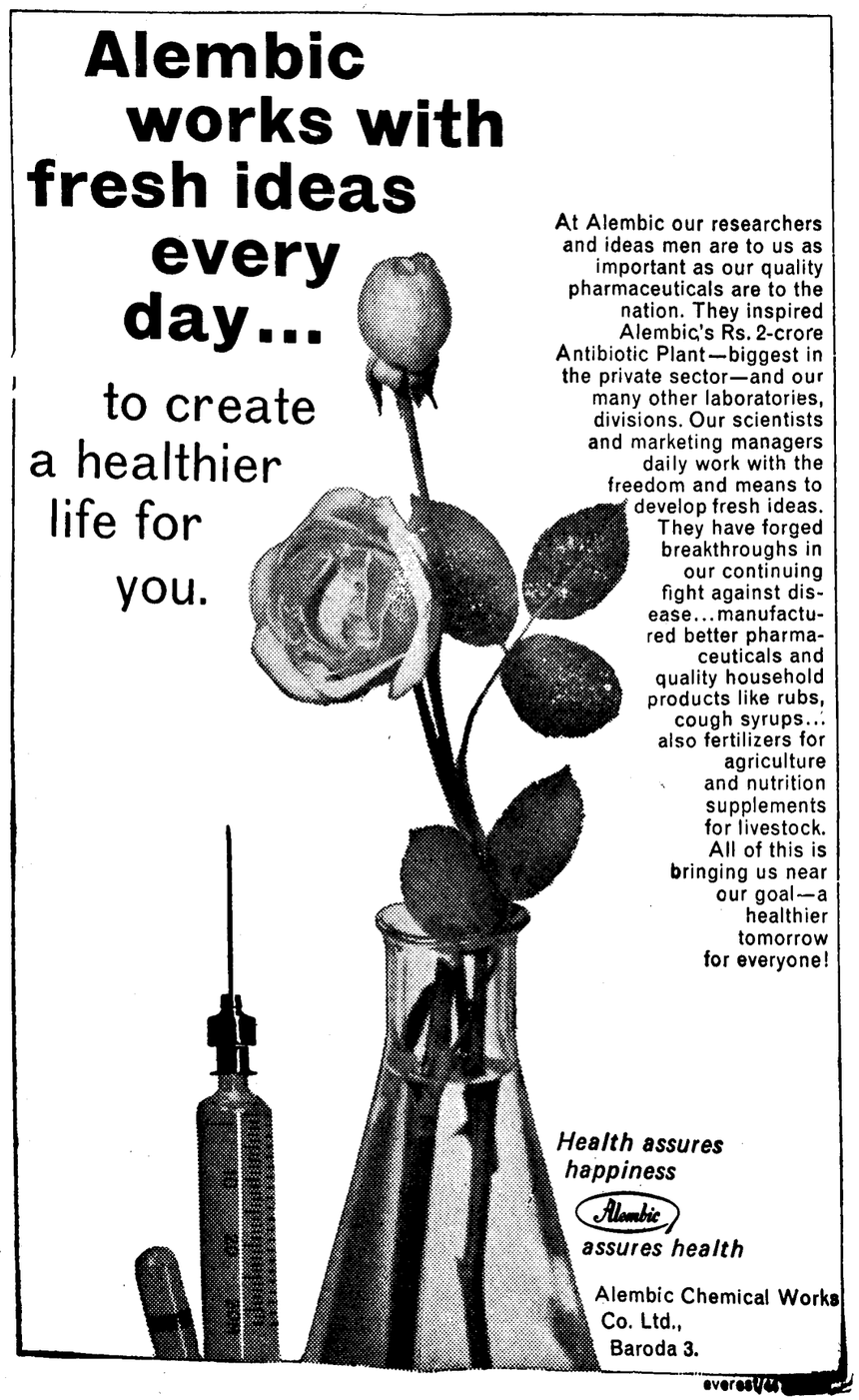
An event that restored sunshine to the hearts of ye olde *Statesman*'s readers was the resumption of its Delhi edition on August 11, after a three-month suspension of publication due to something which was not exactly a strike or a lockout. The management won, virtually smashing the CPI(M)-led union which had linked up some of its demands with the general five paise rise in the price of the big dailies. The staff refused to put the new price line on the paper unless their demands were conceded. In the war of nerves that followed, the management decided not to declare a lockout lest the government got a chance to intervene. In *Statesman*'s red-brick-offices in Connaught Circus, it was business as usual, except that the morninger which was reaching its readers in the afternoon, stopped coming out. A limited airlift of copies of the Calcutta edition kept the *Statesman* banner flying in the capital until the union gave in. The Delhi union seemed to be out of joint with its counterpart in Calcutta and it was sad to see it lose. A management could 'run' a daily without bringing the paper out until it could break up the solidarity within the union, giving the government no chance to intervene. And *Statesman*'s Delhi manager is migrating to *Hindustan Times*, perhaps to repeat his triumph there.

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August 1974

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Too Late for Priorities?

THE goal of self-reliance has evaporated in the face of the economic crisis. It is with considerable pride that the Finance Ministry recently noted that "judging by the encouraging aid trends, foreign aid availability this year would be higher by Rs 50 crores than the Budget estimate of Rs 552 crores". The government is clearly out to get all the aid, including food aid, that it can. Inevitably, the doors are to be opened wider for foreign private investment as well. The concerned circles in the government, according to newspaper reports, are satisfied that the exit of Nixon from the American presidency will result in an increase in the flow of American private investment to India.

Outwardly not much may change. The appearance of screening foreign investment and collaboration proposals will continue and lip service will be paid to the 'norms' which supposedly exist for all manner of things — such as the proportion of foreign equity ownership, the rate of royalty payment, export obligations and dilution of foreign equity. But the signals have been quietly exchanged to the effect that foreign private investment has to be encouraged in the interests of industrial investment and production as well as exports — not to talk of making possible import of much-needed technology and equipment. Barkis, in other words, is more than willing. If in the coming months the flow of foreign capital into this country, in one form or the other, does not go up visibly that will only be because the party of the other resort is lacking in enthusiasm.

This is not, then, the best of times to be persuading the government to take a closer look at the costs and benefits of foreign investment. According to the Reserve Bank's latest survey of foreign financial and technical collaboration in Indian industry, covering the period 1964-70, the foreign holding in subsidiaries of foreign companies in India declined from around 82 per cent in 1960-61 to 71 per cent in 1969-70 and that in companies with minority foreign holding went up marginally from 29 per cent to 30 per cent. From these figures no conclusion can be drawn about the degree of foreign control which does not depend upon a fixed proportion of equity and certainly does not require an absolute majority of the share-holding. For instance, the study brings out that even in foreign minority companies and in companies which have only foreign technical collaboration the foreign collaborator was remarkably successful in insisting upon import of plant, machinery and materials from sources of his choice.

Even without taking into account items such as head office expenses charged to the Indian subsidiaries, the survey shows a net outflow of as much as Rs 891 crores on account of the companies covered by it during the six-year period ending 1969-70. This is explained as being due to "the sustained high level of imports as against a low level of exports and the large quantum of dividend remittances, particularly by subsidiaries". This, too, says little about the cost-benefit of foreign private investment and collaboration. The Reserve Bank study makes a valiant attempt to assess the extent of research and development activities in foreign collaboration companies. It finds that only one-third of the companies which supplied information on the subject even had a research and development department and that their total expenditure on R and D added up to an average of Rs 2 crores per annum on capital account and Rs 9 crores on revenue account.

Given its financial orientation, the study cannot throw much light on the worthwhileness of foreign collaboration in terms of the industries in which it has taken place and the types of technology that has been imported. The industry-wise classification used is too general. Categories like "machinery and machine tools" and "electrical goods and machinery" are not particularly illuminating. However, other evidence on this point is scarcely encouraging. Thus a casual scanning of one of the lists of collaboration agreements approved, which the government publishes periodically, revealed sometime back that the import of foreign technology had been deemed absoluteley essential for the manufacture of automatic door-closers, razor blades, gramophone records, caustic soda, footwear with PVC soles, plastic toys, beer, locks and latches, cigarette filters, automobile switches and dashboard instruments.

This may not be the fault of the appraisal machinery with regard to foreign investment and collaboration. For it is plainly unrealistic to expect rational regulation of foreign investment when the government has lost all will to regulate industrial investment generally according to any scheme of priorities.

Capital Expenditures in Corporate Sector

Forecast for 1974

C Rangarajan

An attempt is made in this paper to forecast investment in the private corporate sector for 1974, by using the data available with the three leading term-lending institutions. Most relevant, in this context, is the time-phasing of capital expenditures on the projects sanctioned by these institutions in the current and in the previous years.

Since there is at present a long time-lag in obtaining and analysing the data on company finances for estimating the capital formation in the corporate sector, our method offers a way out by providing — within the end of a year — an indication of the direction and quantum of investment in the corporate private sector in that year.

Even after allowing for price changes, the total capital expenditures by the corporate sector in 1974 would be higher than those in 1973. The new commitments made in 1973 and in early 1974 indicate that investment in certain key industries may however lag behind. Unless there is a dramatic change in the investment climate during 1975 itself, the picture for 1975, moreover, is not encouraging.

ALL available indications are that the level of public investment, in real terms, will be less this year than it was last year. There is, therefore, considerable concern about the likely level of private investment this year. An estimate is made here of the capital expenditures that would be incurred in 1974 by the non-financial private corporate sector.

Method of Estimate

The present author had, in some of his earlier writings, outlined a method for making a forecast of capital expenditures by the corporate sector by using data available with the long-term lending institutions.[1] Most projects in the corporate sector approach one or the other of the term-lending institutions for obtaining finance. The companies provide the lending institutions with the most complete data on projects for which they seek assistance. The cash-flow statements, appended to a project report, show not only the total cost of the project but also the expenditures to be incurred in each of the years during the period of construction. By aggregating, over projects, the information available on the phasing of capital expenditures, one can indicate the expenditures to be incurred during a year on the projects for which assistance has been provided. The projects covered would include not only those sanctioned in the previous one year but also those sanctioned in all the previous years and on which expenditures are likely to be made in the current year. Of course, the estimate arrived at refers strictly to the projects which have taken assistance from the term-lending institution. Nevertheless, since the bulk of the projects come before the financial institutions for assistance, the estimate is a true reflection of the entire corporate sector.[2]

Limitations

The limitations of this approach have been mentioned in the articles referred to earlier, but some of them are worth recalling. 'Capital expenditures' include expenditures on land, buildings, and plant and machinery. The terms 'capital expenditures' and 'investment' are not synonymous. If by investment is meant the creation of physical assets, there can be a lag between the incurring of expenditures and the creation of assets. However, these lags are not likely to be long and, therefore, an estimate of capital expenditures may be taken to give an estimate of investment.

The validity of the estimates depends upon how closely companies adhere to the expenditure pattern outlined in the project proposals. Cost over-runs are common. In 1968, a survey done by the Reserve Bank of India[3] pointed out that out of the 73 projects surveyed 62 projects involved cost over-runs. According to that study, the overall magnitude of the over-runs in project costs was 26 per cent. Therefore, to the extent that there are distortions in the total cost of the project as well as in the phasing of the expenditures, some modifications will have to be made in the estimates obtained using the originally-outlined phasing of capital expenditures. We have tried in the case of projects sanctioned in the previous years to modify the expenditure patterns, wherever such data were available. However, since such data are not readily available with the term-lending institutions, we may not have completely succeeded in getting the true picture.

Part of the expenditures incurred in any year would come out of the projects sanctioned in that year itself. By the very nature of the method adopted by us, these data would not be available. It is seen from Table 1 that the percentage of total capital expenditure to be incurred during a year which comes out of projects sanctioned in that year varies between 12 and 22 per cent. Thus there is a segment of the total expenditures that has to be guessed — and for which internal data available with the term-lending institutions will not be of help. It is this segment which depends upon the investment climate prevalent in the year, which in turn becomes difficult to forecast. To some extent, we can forecast the projects to be sanctioned by looking at the applications pending at the beginning of a year. Our method, at any rate, gives a clear indication of the level below which expenditures will not fall.

So long as the term-lending institutions do not operate under a supply constraint, these estimates may provide a good indicator of what the private corporate sector wants to do. But the moment the supply of funds becomes a constraint, the number of companies that will seek the entire finance from elsewhere may increase. In such circumstances, these estimates may prove to be an underestimate of what the corporate sector as a whole invests.

Collection of Data

Our previous study had incorporated the data on the phasing of capital expenditures of projects sanctioned by the three term-lending institutions — The Industrial Credit and Investment Corporation of India, The Industrial Finance Corporation and the Industrial Development Bank of India — upto 1971. We updated the information, by collecting data on projects sanctioned for 1972, 1973, and upto May 1974. Since a number of companies approach more than one institution, care has been taken to see that no project is counted more than once. Companies covered included those in the private sector and those in the joint sector. The total number of projects taken into account, in 1972 and 1973, was 146 and 156, respectively. Wherever possible, revisions to the original project proposals were taken into account.

Table 1 : Phasing of Capital Expenditure of Projects Sanctioned by ICICI, IFC and IDBI, 1966 to 1974

(Rs in lakhs)

Year of Sanction	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
1960	72	39	44											
1961	212	76	41	21										
1962	269	238	134	52	26									
1963	1738	165	112	80	63	53	40	30						
1964	3498	1447	354	295	153	79	47	28	12	2				
1965	10147	7227	1897	754	449	202	184	135	21					
1966	5994	7393	6202	4920	2397	1127	623	397	359	151				
1967	201	4651	12160	9407	4377	2041	424	308	190	138	23	3	12	
1968		232	4276	9170	6655	4219	2768	1711	178	110	53	5		
1969			74	8914	14618	7859	6213	2172	445	164	54	12		
1970			279	74	4545	7817	6704	2193	647	403	176	332	315	
1971				63	766	7600	10990	9062	4487	854	396	260	260	238
1972						876	15413	17671	11825	4051	992	357	283	229
1973							2672	15730	26227	11070	5179	4056	1013	836
1974 (Upto May)						95	290	3459	11026	7033	2172	553	560	377
Total	2213	21468	25574	33759	34048	31958	43368	52896	55417	23975	9045	5587	2421	1559

Evaluation of Forecast for 1972

Before attempting a picture of corporate investment in 1974 as it emerges from our study, we might say a word about the prediction that had been made about 1972. Our earlier prediction — made at the beginning of 1972 — was that 1972 would be better than 1971 and that the total capital expenditures in 1972 would be approximately Rs 305 crores. The forecast that 1972 would be better than 1971 was borne out by subsequent events. But the estimate for 1972 understated the capital expenditures by almost Rs 150 crores. This happened because, while we had put the capital expenditures coming out of the sanctions of 1972 at around Rs 50 crores, they actually turned out to be approximately Rs 160 crores during 1972 simply for the projects sanctioned in that very year.

We have checked our forecast of 1972 with the data generated by our own scheme. But the appropriate method would be to see how far our forecast agrees with an independent estimate of the capital formation in the corporate sector. The Reserve Bank of India no longer publishes data on investment in the entire corporate sector. Even their sample study, published as recently as in January 1974, relates to the finances of the medium and large public limited companies for 1971-72. However, from the study of the 350 large public limited companies[4] done by the Reserve Bank, it is evident that their gross fixed assets in 1972-73 were Rs 363 crores — as compared with Rs 288 crores during 1971-72. This can be taken to indicate that fixed gross asset formation in the corporate sector in 1972-73 was higher than that in 1971-72, which is also the conclusion which emerged from our own study. Given the long time-lag involved in obtaining and analysing the data on company finances, it can be legitimately claimed that our method fills an important gap in the data on corporate investment by providing, within the short period of the end of a year, an indication of the direction and quantum of investment in the corporate sector in that year. Since our estimates relate to the last five or six years, we will have to wait some time to find out how closely our estimates correspond with those obtained from company finance data.

Table 2 : Industry-wise Expected Capital Expenditure for 1972 and 1974 for Projects Sanctioned by ICICI, IFC and IDBI

(Rs in lakhs)

Industry	1972	1974 (Upto May)
Chemicals and Pharmaceuticals	12786 (27)	20409 (36)
Electrical	2301 (5)	1981 (4)
Engineering	5698 (12)	1888 (3)
Jute	450 (1)	179
Minerals and metals	7218 (15)	15637 (28)
Paper	3333 (7)	3703 (7)
Textiles	4246 (9)	1738 (3)
Transport	2751 (6)	2438 (4)
Cement	1043 (2)	741 (1)
Miscellaneous	7146 (15)	7614 (14)
Total	46,972 (100)	56,328 (100)

Note : Figures in brackets refer to percentages to total.

Picture for 1974

From Table 1, it can be seen that the total capital expenditures for 1973 was Rs 529 crores. For 1974, based on the projects sanctioned upto May of this year, the expected capital expenditures would be about Rs 554 crores. To this must be added in expenditures that would be incurred out of projects that might be sanctioned between May and December 1974. While we do not have information on this, on the basis of past experience and of pending applications, one could expect another Rs 60 crores at least to be incurred. Thus, the total capital expenditures

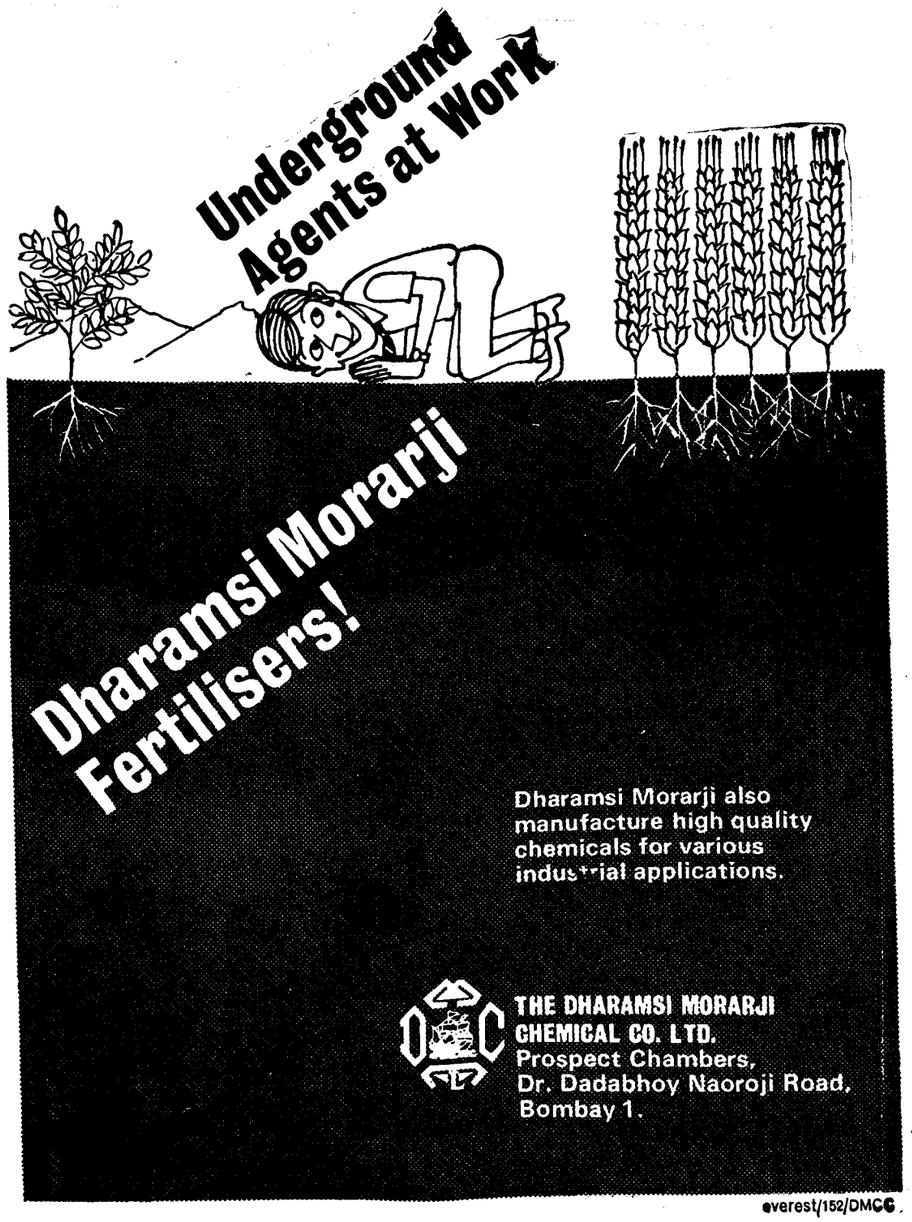


TABLE 3 : INDUSTRY-WISE TOTAL CAPITAL COST AND PHASING OF CAPITAL EXPENDITURE ON PROJECTS SANCTIONED BY ICICI, IDBI AND IFC, 1973

Industry	Phasing of Total Capital Expenditure						Total Projects	To be Completed in			
	Total	1972	1973	1974	1975	1976 and After		The Same Year	Next Year	Year After	Four or More
Automobiles and cycles	436 (1)	29	306	84	12	5	3	1	1	1	—
Cement	1022 (2)	43	444	422	113	—	2	1	1	—	—
Chemicals and petrochemicals	8766 (13)	633	1703	3360	2806	264	27	4	11	11	1
Electrical equipment	1184 (2)	17	419	659	86	3	10	1	7	2	—
Electricity, gas and steam	3137 (5)	280	532	200	225	1900	2	1	—	—	1
Fertilisers and pesticides	9403 (16)	—	—	8303	1100		2	—	1	1	—
Food products	1457	56	515	842	35	9	9	—	9	—	—
Glass, pottery, etc	2070 (2)	52	584	743	519	172	13	3	7	2	1
Machinery manufacture	23585 (4)	673	6653	7628	4290	4341	38	14	14	7	3
Metals and metal products	— (40)	—	—	—	—	—	—	—	—	—	—
Printing and publishing	2159	491	1041	577	50	—	5	1	2	2	—
Pulp, paper and paper products	1301 (4)	—	270	831	200	—	4	—	3	1	—
Rubber products	1265 (2)	70	919	276	—	—	4	3	1	—	—
Shipping	2856	192	1145	973	591	5	16	3	10	3	—
Sugar	36 (5)	5	14	17	—	—	1	—	1	—	—
Textiles	1061	196	407	437	21	—	11	3	7	1	—
Wood, cork and hard board	59738 (2)	2687	14952	25352	10048	6699	147	35	75	31	6
Miscellaneous											
Total											

Note : Figures in brackets indicate percentage to total.

would be around Rs 615 crores in 1974.

There is need to adjust these figures for price changes. In fact, no adjustments for price changes would be called for, if the cost over-runs due to price increases were financed entirely by the companies themselves. But to the extent that they have been financed, either in full or in part, by the term-lending institutions through fresh requests to them for assistance, an adjustment has to be made. Further cost estimates, of projects sanctioned in each year, would be at the price level of that year. Thus, when we are aggregating expenditures of projects sanctioned in the various years there is need to reduce it to a common price level. However, when we are comparing any two adjacent years, it may not be necessary to make adjustments for more than two to three years. Nevertheless, for the sake of completeness, we have deflated all the elements in the columns of 1973 and 1974 by a price index.[5] Thus, it is seen that, at the 1960-61 price level, total capital expenditures for 1973 would be Rs 315 crores and total capital expenditures for 1974 (based on sanctions upto May 1974) would be Rs 308 crores. To this have to be added the expenditures coming out of the sanctions made during the rest of the year. This could be about Rs 30 crores as the 1960-61 prices. Thus one could safely assert that, the level of capital expenditures in 1974 will be higher than in 1973 — even in real terms.

PATTERN OF CAPITAL EXPENDITURE IN 1974

Table 2 provides an industry-wise break-up of the capital expenditures to be incurred during 1974. Approximately 36 per cent of the expenditure is in chemical and pharmaceuticals, while another 26 per cent is accounted for by minerals and metals. There is very little investment going into cement and jute. There is a substantial fall in the capital expenditures in engineering and textile industries. In the same Table, we have given corresponding figures for the various industry groups for 1972. The actual investment in the textiles industries may be higher than indicated by our figures — because this industry makes the maximum use of the 'bills rediscounting scheme' of the IDBI which gives assistance to acquire indigenous machinery. During 1972-73, under this scheme, IDBI granted a total assistance of approximately Rs 50 crores out of which 46 per cent went to textiles.[6]

NEW COMMITMENTS IN 1973 AND 1974

We have made a detailed analysis of the projects sanctioned in 1973 and 1974 by the three term-lending institutions, to obtain an idea about where the new investments are being undertaken (Tables 3 and 4). This indicates whether or not there is a shift in investment towards industries where the need is greatest.

The total cost of all projects sanctioned in 1973 comes to approximately Rs 600 crores. The biggest share (40 per cent) goes to the industry group, Metals and Metal products. Then comes Fertilisers and Pesticides (16 per cent), followed by Chemicals and Petrochemicals (13 per cent). The new commitments in Cement amount only to Rs 10 crores.

The projects sanctioned upto May 1974 show that there are no fresh

TABLE 4 : INDUSTRY-WISE TOTAL CAPITAL COST AND PHASING OF CAPITAL EXPENDITURES ON PROJECTS SANCTIONED BY ICICI, IDBI, AND IFC UPTO MAY 1974

(Rs in lakhs)

Industry	Phasing of Capital Expenditures						Total Projects	To be Completed in			
	Total	1973	1974	1975	1976	1977 and After		The Same Year	Next Year	Year After	Four or More
Automobiles and cycles	802 (4)	20	191	576	15	—	3	1	2	—	—
Cement	—	—	—	—	—	—	—	—	—	—	—
Chemicals and pharmaceuticals	2247 (10)	90	750	1187	220	—	8	—	6	2	—
Electrical equipment	145 (1)	16	71	58	—	—	4	2	2	—	—
Electricity, gas and steam	—	—	—	—	—	—	—	—	—	—	—
Fertilisers and pesticides	—	—	—	—	—	—	—	—	—	—	—
Food products	—	—	—	—	—	—	—	—	—	—	—
Glass, pottery, etc	536 (2)	—	130	406	—	—	2	—	2	—	—
Machinery manufactures	483 (2)	68	188	207	20	—	3	—	2	1	—
Metals and metal products	3731 (17)	641	2506	572	12	—	15	8	7	—	—
Printing and publishing	—	—	—	—	—	—	—	—	—	—	—
Pulp, paper and paper products	3661 (17)	605	1983	978	100	—	4	1	2	1	—
Rubber products	5735 (28)	1412	1988	1165	1170	—	4	1	2	1	—
Shipping	—	—	—	—	—	—	—	—	—	—	—
Sugar	1121 (5)	115	703	243	60	—	4	1	2	1	—
Textiles	2012 (9)	118	816	1006	14	58	12	5	7	—	—
Wood, cork and hard board	63	3	60	—	—	—	1	1	—	—	—
Miscellaneous	1072 (5)	191	831	50	—	—	6	5	1	—	—
Total	21613	3279	10217	6448	1611	58	66	24	36	6	—

Note : Figures in brackets indicate percentages.

investments in either Cement or in Fertilisers. The biggest spurt is in the Rubber industries, accounting for 30 per cent of the cost of all the projects. There appears a slow-down in the investment in Metal and Metal products. The time-phasing of projects in 1973 indicates that, out of 147 projects in all, 110 projects are to be completed within two years; 37 projects will take more than two years — and the bulk of these projects fall in the areas of Chemicals and Petro-chemicals and Metal and Metal products. Out of 66 projects sanctioned upto May 1974, 60 are to be completed within two years. An analysis of the time-phasing helps to depict when the output in these industries is likely to increase.

PICTURE FOR 1975

From an exercise like this, it is premature to forecast the level of capital expenditures for 1975. However, since we are in the middle of 1974, we may attempt to take a look at what the situation is likely to be in 1975. From Table 1, it can be seen that total expenditures during 1975, based on projects sanctioned upto May 1974, would be approximately Rs 240 crores. To these must be added the expenditures to be incurred out of projects sanctioned during the rest of 1974 and projects to be started in 1975. We had earlier said that, in the normal course, one could expect projects to be sanctioned during the rest of 1974 to generate capital expenditures of Rs 60 crores in 1974. This will perhaps lead to an expenditure of Rs 100 crores in 1975. Usually, projects sanctioned in the second half of any year will result in higher expenditures in the following year. Thus the capital expenditures in 1975 based upon sanctions upto the end of 1974 may come to Rs 340 crores.

How much more could come out of projects sanctioned in 1975? To reach the level of 1974, approximately Rs 250 crores more had to come out of projects to be sanctioned in 1975. This must be compared with the Rs 170 crores coming out of projects sanctioned in 1974. While such a sudden increase cannot be completely ruled out, there are no indications that the climate will improve sufficiently to bring about such large increases in new projects. We may, therefore, hazard the guess that the level of capital expenditures in 1975 is likely to stay below those in 1974.

Notes

[The author thanks Bipin Rajendraprasad who helped not only in collecting the data required but also in interpreting and analysing them.]

1 C Rangarajan, 'Forecasting Capital Expenditure in the Corporate Sector', *Economic and Political Weekly*, December 19, 1970. Also, 'Investment in Private Corporate Sector in 1972 — A Forecast', *Economic and Political Weekly*, February 1972.

2 A recent study of company finances indicates that internal sources alone were sufficient to finance additions to fixed assets during 1972-73. This implies that the corporate sector's reliance on long-term lending institutions is declining. See, "Financial Performance of Companies: ICICI Portfolio: 1972-73".

3 'Time-lags in the Implementation of Industrial Projects and in Returns on Investments', *Reserve Bank of India Bulletin*, March 1968, p 323.

4 'Finances of Large Public Limited Companies, 1972-73', *Reserve Bank of India Bulletin*, February 1974, pp 272-301.

5 The price index used for deflation was Index Number of Wholesale Prices — Machinery Other Than Electrical (1961-62 = 100). Source: *Reserve Bank of India Bulletin*. There is, however, a feeling that this index underestimates the increase in project costs.

6 Industrial Development Bank of India: Annual Report, 1972-73, p 23

Stock Valuation Rule: Case for Revision

Amaresh Bagchi

Continuance of the 'lower of cost or market' rule for stock valuation is totally indefensible. To allow taxpayers to anticipate losses on inventory valuation but not gains may be prudent on the part of accountants but does not stand to reason for purposes of taxation. It almost amounts to presenting Government Revenue with a heads-I-win-tails-you-lose alternative.

In the context of an inflationary situation, the 'lower of cost or market' rule operates to negate one of the important objectives of progressive taxation by allowing postponement of taxes on the gains of price rise and thus helping to support inventory accumulation. Such postponement is advantageous in more than one way in conditions where credit is scarce.

The conservative rule of stock-valuation directly contributes to the capacity for stock-holding. A rough calculation shows that the amount involved in tax-postponement facilitated by the current rule of inventory valuation is by no means negligible and may amount to an interest-free loan of Rs 300 crores for the organised sector alone, the interest on which, at the rate of 15 per cent per annum, works out to Rs 45 crores.

ONE of the basic postulates on which business income is assessed periodically by accountants is the principle of "realisation"; taxation of business income too proceeds on this basis. This is one of the fundamental reasons for the divergence between the economists' concept of income and what the accountants regard as profit. The problem that holds up the acceptance in practice of the net-accretion-to-wealth concept of income proposed by Haig and Simons — which is widely considered by economists to be the ideal base for the income tax — is the problem of valuation. For the Haig-Simons concept envisages income as the algebraic sum of the money value of all consumption and net increments in the value of wealth held by the taxpayer during a given period. This entails evaluating increments in the value of all assets periodically. Evaluating wealth increments without going through actual market sale is not easy and is likely to introduce a good deal of subjectivity in income measurement. Granting, however, that insuperable problems of valuation stand in the way of the adoption of the net-accretion concept in its pure form as the income tax base, over a fairly large area there is room for closer approximation to the ideal than is possible under the current law. In fact, in some respects the extent of the existing gap between the Haig-Simons norm and the actual base cannot be fully justified even by the standards of objectivity which are so often invoked against the net-accretion concept. The rule by which stocks are valued at present in assessing business profits is a case in point.

Though it is well recognised that in periodic income determination account must be taken of the stocks at the beginning and at the end of the period,[1] the law does not lay down any specific method to be followed in this regard. When the goods purchased in business are not sold during a given period, the ideal method of course is to set off the goods actually sold against the receipts from their sale and to carry forward the cost of the unsold goods to the next year. This course being inconvenient, the method usually followed is to credit the trading account with the value of the unsold stock to cancel the debit on account of the purchases of the stock still remaining with the trader.[2] But the important question is, what value should be put on the unsold stock for this purpose? The Income-tax Act being silent on the point, the principle which has come to be established through judicial rulings is that valuation of stock-in-trade should be made in accordance with ordinary principles of accountancy.[3] Of course, the law allows discretion to the assessing authorities to ignore the accounts of the taxpayer if the real income and profits cannot be deduced therefrom but an obligation is cast on the authorities to respect the method adopted by the taxpayer if it is followed consistently and regularly.[4]

Consistent application of the realisation principle, which, as stated at the outset, is one of the basic postulates on which accountancy practices are said to be founded, would require all unsold stocks to be valued only at cost. But the rule of stock valuation generally followed by accountants is "lower of cost or market value". All losses likely to arise from a decline in the prices of closing stock are thus taken account of in computing the tax base even before their "realisation", but profits resulting from a price rise are kept out. "Cost" in this context has been taken to mean average cost if the taxpayer so chooses.[5] In order that no unrealised profit is included in income, when there are several items in the stock, taxpayers are allowed to follow the "pick and choose" method whereby the "lower of cost or market" is taken separately for each item so that the stock is valued at cost only for items for which the market price has gone up.[6] When the market value has declined, only the lower value is taken. Sometimes, downward revision of stock values in anticipation of a loss goes even beyond that. Thus a dealer in parts of motor cars, import of which was banned, was allowed to value his stock notionally at 50 per cent and for some items, at 100 per cent, less than cost even though the same stock was valued at a higher price for purposes of obtaining overdraft from the bank.[7] When the stock is considered unsaleable for lack of demand the cost is allowed to be taken at nil.[8] The value of the opening stock, it might be supposed, would merely reflect the carried forward figure of closing stock of the preceding period. This however is not always the case. Thus when a dealer in silk goods died leaving a sizeable stock that had cost Rs 2,78,000 and his daughters resumed the business as partners, the stock was allowed to be valued at Rs 3,53,000 which happened to be the market value of the stock on the date of death of the dealer.[9]

It is not as if the courts permit accountancy practice to be followed without questioning in all situations, whatever be the results thereof. In a case involving the valuation of work-in-progress the House of Lords refused to accept the plea advanced on behalf of the Revenue for applying the "on-cost" method whereby indirect costs (that is, proportionate part of the overheads) are also added to the cost of materials and other expenses as against the direct-cost



method (which takes account of only the variable costs) followed by the taxpayer regularly even though the on-cost method is well recognised in accountancy.[10] The result, obviously went in favour of the taxpayer. The Last-in-First-Out (LIFO) method which is recognised for tax purposes in USA was however rejected by the Privy Council in a well known case.[11] Similarly a plea for upholding the base stock method of valuation was turned down by the Court of Appeal in a case even though it is a recognised method in accountancy.[12]

Broadly, however, the position is that accountancy practice is allowed to prevail unless there is an obvious inconsistency with the law. After examining the various alternatives the Taxation Enquiry Commission supported the existing practice and so did the UK Committee on the Taxation of Trading Profits (Tucker Committee).[13] Both the UK Committee and the Indian TEC expressed their opinion against "making in the tax law any rigid provision about the method of accounting of which the stock valuation is only one aspect, that an assessee should follow."[14] For various reasons however this approach does not seem to be either rational or satisfactory. First of all, there is little uniformity in accountancy practice or opinion on the question. This was sharply revealed in a case decided some time ago by the House of Lords in England. The point at issue was the meaning of the word "market value" in the context of the valuation rule — "lower-of-cost-or-market". The tax-payer, a dealer in shoes, wanted to value the stock of shoes which had gone out of fashion at its "replacement cost" and not at its realisable value which was higher (but, presumably, less than the original cost). The Revenue authorities refused to accept the "replacement cost" valuation and the House of Lords upheld the Crown's plea as it tended to produce a less inaccurate result.[15] Expert opinion of accountants tendered before the court in this case was sharply divergent and the court interpreted the expression "market value" in its "natural meaning" to connote "the price which can be obtained for the article in question in the market which offers the best price".[16] The bitter controversy among accounting theorists over the merits of the LIFO method of valuation also testifies to the fact that there is no agreed set of principles in accountancy for stock valuation.[17]

More important, the rule "lower of cost or market", though widely applied, has no sanction in theory. If, on the assumption that the business is a "going concern", the idea is to segregate assets used *for* business (circulating assets) from those used in business (fixed assets) and to regard changes in the value of the latter as of no consequence in yearly income measurement, then the logical course would be to adopt cost as the basis for valuation of the latter and market as that of the former. Application of the realisation principle on the other hand would require valuation of all assets at cost. The lower of cost or market is, as one critic observed, the result of "an illogical and one-sided application" of the going-concern convention.[18] The history of the valuation rule shows that it was born out of the conservatism of the accountants which was innate in the environment in which the English accounting profession grew up.[19] Relevance of this rule for purposes for which financial statements are prepared — stewardship reporting or providing information for investors to help planning and control — is increasingly called into question by accountants. For measuring business profit for managerial purposes, Parker and Harcourt have advocated, following Solomons, the adoption of "replacement cost" rule for valuing assets except where it is greater than the present value of the receipts excepted from its use or its net realisable value (NRV).[20] For measuring *ex post* income, however, as has been pointed out by Gray and Wells, there is no reason why anything other than NRV should be taken.[21]

It will not do to say that adopting market value (of which NRV is the most appropriate index for purposes of income measurement) would introduce a large element of "subjectivity" in financial results. For the operation of the lower-of-cost-or-market rule too involves a large element of subjectivity as its application requires ascertaining the market value. Even historical cost is not always more objective than market value. As Parker and Harcourt point out, depreciation based on historical cost is but an estimate and the "so-called historical cost of a manufactured article depends on a number of rather arbitrary decisions about which overheads are 'inventoriable' and how they should be allocated between jobs or processes", while many assets have easily verifiable market values.[22] The sharp criticism levelled in UK against the decision of the House of Lords in the shoe dealer's case referred to earlier (where the realisable value was upheld as appropriate in preference to replacement cost) also does not seem to be tenable. The argument put forward in support of this criticism, *viz*, that the rule "cost, net realisable value or replacement price, whichever is the lowest" ensures that no element of profit is anticipated before it is earned, appears[23] to be unsound, because, once a firm's liquidity is restored, any new commitment in inventory must be made primarily because management expects net realisable value to be equal to or greater than cost.[24] To allow taxpayers to anticipate losses on inventory valuation but not gains may be prudent on the part of accountants but does not stand to reason for purposes of taxation. It almost amounts to presenting Revenue with a heads-I-win-tails-you-lose alternative. In the context of an inflationary situation, the lower of cost or market rule operates to negate one of the important objectives of progressive taxation by allowing postponement of taxes on the gains of price rise and thus helping to support inventory accumulation. Such postponement is advantageous in more than one way in conditions where credit is scarce. The Reserve Bank's study of company finances shows that the proportion of inventories in the assets of medium and large public limited companies has increased from 32 per cent in 1965-66 to 33 per cent in 1970-71.[25] In the case of 350 large public limited companies the proportion of inventories has increased from 28.8 per cent in 1970-71 to 31.1 per cent in 1972-73.[26] The conservative rule of stock-valuation directly contributes to the capacity for stock-holding. A rough calculation shows that the amount involved in tax-postponement facilitated by the current rule of inventory valuation is by no means negligible and may amount to an interest-free loan of over Rs 200 crores for the organised sector alone, the interest on which, at the rate of 15 per cent annum, works out to more than Rs 30 crores.[27] Availability of funds of this order is itself an advantage the value of which is not adequately reflected in the official lending rates for the organised sector.

Considering everything, continuance of the lower of cost or market rule is totally indefensible and quite unnecessary. As Parker comments after tracing the history of the rule, "The astonishing thing about the lower of cost and market rule is its ability to survive attack".[28] It may be, as Parker laments, that an agreement on inventory valuation is unlikely so long as the more general problem of asset valuation remains unresolved. But, for tax purposes,

there is no reason why valuation at market should not be imposed for stocks for which market values are available regardless of what accountants say. The decision of the House of Lords to take 'market value' in its natural meaning has paved the way for such a course. Conservatism in this regard may be in the interests of business proprietors but is incompatible with the aims of progressive taxation. It needs to be added that the adoption of the NRV rule for inventory valuation would add to the efficacy of the income tax as a counter-inflationary instrument. In terms of rising prices it would enable the government to make a larger draft on business profits and exert pressure against inventory building.

Notes

[The views expressed here are purely personal.]

1 CIT v Krishnaswami Mudaliar [1964] 53 ITR 122 (SC).

2 Report of the Committee on Financial Risks Attaching to Holding of Trading Stocks (quoted in Report of the Committee on the Taxation of Trading Profits, HMSO cmd 8189).

3 Whimster and Co v IRC (1925) 12 TC 813.

4 Section 145 of the Income Tax Act, 1961.

5 Concordia Corporation Ltd v CIT (1955) 22 ITR 344.

6 CIT, EPT v Chari and Ram (1949) 17 ITR 344.

7 Indian Motor Parts and Accessories (P) Ltd v CIT (1966) 60 ITR 531.

8 K Mohammad Adam Sahib v CIT (1965) 56 ITR 360.

9 CIT v Appu Chettiar (1962) 45 ITR 152.

10 Duple Motor Bodies Ltd v Ostime, 39 TC 537.

11 Minister of National Revenue v Anaconda American Brass Ltd (1956) AC 85; (1956) 30 ITR 84.

12 Patrick v Broadstone Mills Ltd (1954) 25 ITR 377. The case related to a company of cotton spinners who consistently followed this system for a long time whereby raw cotton on the machines — called "fixed process stock" — was not shown in the trading account although it appeared in the balance sheet "while an agreed weight of the cotton standing by the machines (spare process stock) was included in the trading account at a fixed or arbitrary figure". Expert evidence of chartered accountants was taken; but it was conflicting. One expert however admitted that though a good method, it had the effect of showing lower profits than accounts prepared on cost or market basis.

13 Report of the Taxation Enquiry Commission 1952-54, Volume II; (Government of India) p 53; Report of the Committee on the Taxation of Trading Profits (HMSO, Cmd 8189), para 283. The Canadian Royal Commission also was not in favour of laying down any legislative rules for valuation of inventories except when the LIFO method was used. (Report of the Royal Commission on Taxation. Ottawa. *Queen's Printer*, 1967. Volume 4, pp 236-237).

14 Report of the Taxation Enquiry Commission, 1953-54, Volume II, p 53.

15 BSC Footwear v Ridgway (1971) 2 All ER 534. (HL).

16 Cross J. in Freeman, Hardy and Wills v Ridgway (1969) 7 WLR 1488.

17 *Vide* "The Case for LIFO" by H T McAnly, *Journal of Accountancy*, June 1953; "The Case against LIFO as an Inventory-Pricing Formula" by Maurice Moonitz, *Journal of Accountancy*, June 1953; and "Inventory Valuation — The Accountant's Achilles Heel", by Charles E Johnson, *Accounting Review*, January 1954, all reprinted in "Readings in Accounting Theory" by Paul Garner and Kenneth B Berg (ed), Houghton Mifflin, Boston, 1966.

18 Reed K Storey, "Revenue Realisation, Going Concern and Measurement of Income", *Accounting Review*, April 1959, reprinted in "Readings in Accounting Theory" by Garner and Berg (ed).

19 R H Parker, "Lower of Cost and Market in Britain and the United States: An Historical Survey", in "Readings in the Concept and Measurement of Income", by R H Parker and G C Harcourt (eds) Cambridge University Press, 1969.

20 Parker and Harcourt, *op cit*, Introduction.

21 S J Gray and M C Wells, "Asset Values and *ex-post* Income", *Accounting and Business Research* Number 11, Summer 1973.

22 Parker and Harcourt, *op cit*, p 16.

23 A F Bessemer Clark. "The Valuation of Stock-in-Trade", *British Tax Review*, 1970, p 65. See also for a criticism of the rejection by the court of the accountancy concepts in this case, "Cost or Market Value, Whichever Is Lower", by A D W Pardoe, *British Tax Review*, 1970, p 195.

24 Charles E Johnson, *op cit*.

25 "Finances of Medium and Large Public Limited Companies, 1970-71", *Reserve Bank Bulletin*, September 1972, Table 14.

26 "Finances of Large Public Limited Companies 1972-73", *Reserve Bank Bulletin*, February 1974, Table 7.

27 RBI study of company finances referred to in note 26 shows that the net sales of 350 large companies accounting for 63 per cent of sales of 1,650 large and medium public limited companies were Rs 5,538.8 crores at the end of 1972-73. Assuming that the ratio of inventories to sales of large and medium companies is around 31 per cent, the value of inventories of these companies works out to about Rs 2,700 crores $\left(\text{Rs. } \frac{5,538.8 \times 31}{63}\right)$. At an average price rise of 15 per cent per annum, the value of price gain on these inventories comes to Rs 400 crores and the amount of tax postponed as a result of valuation at lower of market or cost approximately to Rs 220 crores (at 55 per cent). The interest on this amount at 15 per cent per annum is about Rs 33 crores. Taking the unorganised sector too the amount of tax postponed, might be around Rs 300 crores and the interest on it about Rs 50 crores per annum. If, as seems more appropriate, the bazaar rates are taken, the interest gain to business concerns through tax deferment might be nearer Rs 75 crores.

28 Parker, *op cit*, p 257.

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Profitability of Nationalised Banks

Sampat P Singh

This paper compares the 14 nationalised banks in terms of changes in their profitability between the pre-nationalisation and the post-nationalisation periods.

The nationalised banks have been ranked on the basis of profitability, volume of business, gross margin, manpower expenses and branch expansion.

Some areas for policy changes at the national level are also suggested in the light of the inter-bank comparisons.

THE fourteen largest commercial banks were nationalised five years ago. Their post-nationalisation performance is now under discussion. One major area of focus in this debate is profits and profitability.

We have taken figures from published annual reports of banks. They represent only the year-end position and are deficient in many other respects. In our analysis we have avoided use of sophisticated statistical tools because the quality of data does not seem to justify their usage. The method used by us is simple: conversion of absolute figures into percentages, straight comparison between pre and post nationalisation periods in terms of per cent change in growth rates, and comparison between banks in terms of their relative positions in ordinal rankings on different indices. All numbers used by us are, therefore, to be regarded as approximations and the results need to be interpreted with a little caution. Since we are highlighting only the dominant trends, this approach may be considered adequate.

The present note is part of a study in progress. The detailed version will be published when data for 1973 and for some earlier years for these banks as well as data for the SBI are available.

We have taken figures for three pre-nationalisation years (1966 1967 and 1968) and averaged them to represent that period. Similarly, four post-nationalisation years (1969, 1970, 1971 and 1972) have been averaged to represent this period. Thereafter, per cent growth rates have been reckoned and the banks have been ranked in the descending order on the basis of the differences in the percentages between the two periods.

First, we have ranked the banks on the basis of a profit index: per cent growth in volume of profit and change in per cent profitability (i e, profit earned in relation to volume of business), both combined into one composite ranking. As our next step, we make a simplifying assumption: a bank's profit-and-profitability performance is affected largely by four factors: volume of business, gross margin, manpower expenses and branch expansion.

Second we have ranked the banks on the basis of a composite volume of business index. This includes balance sheet totals, deposits and borrowings, loans and investments, and yearly rates of growth of deposits.

Third, we have ranked the banks on the basis of improvements in gross per cent margins: interest received plus commission, etc, earned minus interest paid.

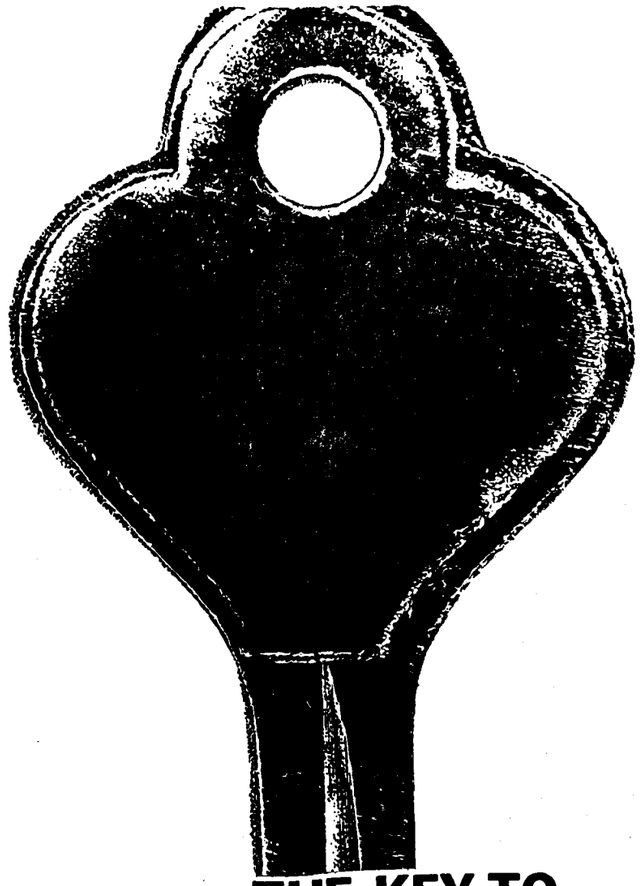
Fourth, ranking has been done in terms of manpower expenses: a composite index based on volume of business divided by these expenses, these expenses per employee, and volume of business per employee. Here, a rise in volume of business per rupee of manpower expense, fall in expense per employee and rise in business per employee have been assumed to be correlated to rise in profit. Accordingly, the bank with the largest per cent gains in manpower expense indices has been ranked first.

Fifth, we have ranked the banks on the basis of a composite branch expansion index: growth rates of number of branches and volume of business per branch. Lower per cent growth of the number of branches and higher per cent growth of volume of business per branch are treated as correlated to rise in profit. The bank with the largest gain on these counts has been ranked first.

Each bank has been ranked on five composite indices: p = profit performance; v= volume of business; m = gross margin; e = manpower expenses; and b = branch expansion. Where differences are minor, the same rank has been accorded to two cases. Each bank has been assigned an alphabet: A to N. In addition, we have introduced bank X to represent the average bank: totals for all banks divided by fourteen. All rankings are put together in our Table of Rankings. Bracketing implies same rank (broken lines, approximately same rank). The three ranges are drawn such that all five averages fall in the Medium range. The other two ranges contain above average (high) and below average (low) cases. Figures for all 12 parameters, maximum, average, minimum and the range are shown in our Table of Statistical Results, so as to focus on inter-bank differences.

We have, so far, confined ourselves to private profitability and ignored social profitability. With the data at our disposal, we cannot really extend our analysis to fully accommodate extend our analysis to fully accomodate the latter. But a reasonable measure of accommodation is possible at the interpretation stage. For example, branch expansion expense because of its debit to profit account of the year is at present treated as a drag on profits of that year. It could also be treated as development cost and hence capital expenditure to be written off over a number of years during which the business at new branch develops. What, therefore, is more significant is the volume of business per branch. The same could be said of manpower expense per employee and volume of business per employee. Or, for that matter, the gross margin and service charges. In other words, profit is one major objective and it has to be fulfilled along with other major social objectives. Traditionally banks have been inclined towards conservative policies: open a branch at a location which is already developed and where the business is ready to walk in. Similarly, they have tried to minimise manpower expense. For more profits, you must watch your manpower expenses or, now in the West; resort to labour-saving devices. This is what we would designate as a conservative policy. As against this more branches with more business per branch and more expenses per employee with more business per employee are indicators

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of a progressive policy. While analysing the results of individual banks, we have graded them in a rough and ready way to reflect their performance in the profit area along with their results in other areas, as evidenced by their different profiles, showing positions above or below average. This has been treated as evidence of a policy and its fulfilment and, therefore, of managerial effectiveness.

II

The average bank represents approximately the overall experience of the 14 banks put together. Its yearly average amount of profit earned went up from Rs 40.36 lakhs during pre-nationalisation period to Rs 51.04 lakhs during post-nationalisation period, a growth of 26.46 per cent. Nine banks had a higher growth rate than this and five lower. In respect of profit earned as percentage of volume of business, the average bank was earning 0.174 per cent before and 0.132 per cent after nationalisation, a drop 0.042 per cent, with six banks faring better and eight worse. Taking the two parameters together into one composite index, the average bank ranks seventh, i e, six banks performed above average and eight were below the average.

As for the volume of business, the average bank's yearly average balance sheet total was Rs 219 crores, deposits and borrowings Rs 173 crores, loans and investments Rs 167 crores and the annual average deposit growth rate 13.49 per cent before nationalisation. After nationalisation, the corresponding figures were Rs 360 crores, Rs 284 crores, Rs 279 crores and 23.60 per cent, respectively. This meant growth rates of 64.84, 64.10 and 67.07 per cent for first three parameters and a net rise of 10.11 per cent in the yearly deposit growth rate. Clubbing these four into one composite index and ranking the banks, we find our average bank in the eighth position, with seven banks performing better and seven worse.

The gross margin for the average bank was 2.78 per cent before nationalisation and 3.14 per cent after, an improvement of 0.36 per cent, with seven banks faring better and seven worse.

Broadly, the volume of business and gross margin determine gross profit. Two major cost items then need to be deducted before arriving at net profit. One of these is manpower expenses. In this area, the volume-expense ratio for the average bank was 53.11:1 before and 46.48: 1 after nationalisation, showing a fall of 6.63, with nine banks above the average and five below it. The yearly average expense per employee for the average banks was Rs 6,290 before and Rs 7,880 after nationalisation, registering an increase of 25.28 per cent, with eight banks above the average and six below. As against this, the average yearly volume of business per employee for the average bank was Rs 3,33,000 before and Rs 3,68,000 after nationalisation, registering an increase of only 10.51 per cent, with seven banks performing better than the average and seven worse. On the composite ranking for these three parameters, the average bank was ninth with eight banks above the average and six below it. To remind ourselves, this ranking is in terms of higher advantage, where advantage means higher volume of business per rupee of expenditure on manpower.

Similarly, purely for profit calculation, a lower number of new branches is an advantage because of less debit to profit account; rise in the volume of business per branch is also an indicator of an advantageous position. This fixes our basis for ranking for the second major after-gross profit debit. The average bank had 239 branches before and 450 branches after nationalisation, giving a growth rate of 88.28 per cent, with 10 banks above the average and four below it. As against this, the volume of business per branch for the average bank was Rs 90 lakhs before and Rs 78 lakhs after nationalisation, recording a fall of 13.33 per cent. The average bank was ninth, i e, eight banks fared better and six worse. On composite ranking for these two parameters, the average bank was tenth, with nine banks above and five below the average.

The profit performance of the average bank reflecting the performance of the 14 banks can now be summarily seen as follows. On a comparison of pre and post nationalisation periods, the average bank's yearly profit went up by 26.46 per cent; but profit as per cent of volume of business went down by 0.042 per cent. The latter signal is surely cause for some concern and action but not for alarm. It has to be considered in the proper perspective.

First, the average bank achieved these results along with 64.84 per cent rise in volume of business, a mere 0.36 per cent rise in gross margin, 84.05 per cent rise in manpower expenses and 88.28 per cent rise in the number of branches.

Second, the profitability of the 14 banks was already under pressure during the years immediately preceding nationalisation. For example, compared with 1966, in 1967 three banks showed zero per cent growth and seven a fall in their profits. Almost the same was true of 1968 compared with 1967. A trend had set in and it got extended to the post-nationalisation years. The basis for future rise in manpower expenses had already been fully established. The only significant difference after nationalisation has been the pushing up of branch expansion, particularly to hitherto neglected areas. This could be a constraint on profit in some cases in the short run; but it could be more than compensated by social profitability arising out of development in the somewhat longer run. Further, the chief executive of one of the banks writing in *Commerce* on the eve of nationalisation emphasised that "the trend in profitability in banking industry has been unsatisfactory". By way of explanation he added: "... during the last 15 years the services charges of banks have remained more or less constant ... There is no economic, management or social principle which would require an industry to offer its services indefinitely at constant charges, in the face of increasing costs". He was pleading for an inter-bank agreement on service charges. Nothing happened in this regard then nor during the post-nationalisation period.

Really alarming, however, are big inter-bank differences. The Table of Statistical Results shows very wide differences in the maximum and minimum growth rates: profit amount 166.67 per cent to 36.29 per cent; profit as per cent of business volume 0.040 to —0.151; business volume 121.43 per cent to 44.14 per cent; increase in yearly deposit growth rate 20.40 to 1.69; increase in gross margin 0.74 to —0.02; manpower expense per employee 36.75 per cent to 5.17 per cent; volume of business per employee 27.84 per cent to —4.80 per cent; number of branches 122.22 per cent to 47.29 per cent; and volume of business per branch 6.12 per cent to —27.67 per cent. Some banks made an outstanding success of both profits and branch expansion, despite low gains at the margin and heavy burden of rise in manpower expenses. Some even with a lower burden of rise in manpower expenses and low branch expansion showed poor profit results. In other words, in some cases the position above

or below the average on different indices has been purposeful and in others it has not been purposeful — indicating high or low managerial effectiveness, judged in a somewhat broader context than mere private profitability. Perhaps these differences lie in the organisational set-up, policies, strategies and quality of leaderships.

III

Let us now have a closer look at the profile of each bank separately.

BANK A : This bank raised its yearly profit by 90.80 per cent and profit as per cent of business volume by 0.017 per cent during post-nationalisation period. It ranks second among the fourteen banks, five positions above average. But its volume of business was only one position above average. It doubled its number of branches and was amongst the first three banks in branch expansion. Its business volume per branch fell 18.56 per cent. Similarly, its pay-out per employee went up by 26.10 per cent, as much as the average bank; its volume of business per employee came tumbling down by 12.46 per cent, giving it on these indices a very low position. Its second ranking on profit might be largely because of a 0.73 gain in the margin percentage. Its biggest drag is volume of business : total, per employee, and per branch. In terms of managerial effectiveness we could put it in grade B : low evidence of purposive policy; likely to find it difficult to maintain its position.

BANK B : Its profit record almost coincides with that of the average bank. Goes second from top in volume of business. Keeps itself only one position below average on the remaining three indices. It provides fairly good evidence of the pursuance of a policy; good blending of conservative and progressive outlooks. We may grade it A—.

BANK C : If a bank were to fix the following set of ambitious objectives : highest growth rates of volume of business, profits and profitability along with doubling of number of branches, and, above average on every other count and if it fulfilled them, it should provide clear evidence of the existence of well-defined policies and a high degree of managerial effectiveness. The profile of this bank suggests this, and we could grade it A+.

BANK D : It represents a conservative case, very high restraint on employees pay-out and branch expansion, seven and eight positions removed from the average. The results are rather poor, below average rise in volume of business, 11.85 per cent fall in yearly profit and 0.054 per cent fall in profitability as per cent of business volume. It provides evidence of a policy and its failure. We might grade it C.

BANK E : This bank went in for very rapid branch expansion along with below average rise in the volume of business and 0.02 fall in margin percentage, resulting in 27.67 per cent fall in business volume per branch. In its pay-out to employees, it was two positions above average. It was three positions above average in profit and profitability. But evidence of a policy and managerial effectiveness is weak. We could grade it B.

BANK F : This bank kept itself close to average, a little below in pay-out to employees and a little above on other indices, representing good evidence of policy and managerial effectiveness, and of a purposeful blending of conservative and progressive outlooks. All this with very good profitability results. We could grade it A+.

BANK G: Average on branch expansion, one position above on margin, relatively very little damage on employee pay-out, with the poorest showing in growth of business, it ends up two positions below average on profit record. We do not get here get evidence of purposive policy and managerial effectiveness. We might put it in grade C.

BANK H: Despite very low gain on margin and recording only one position better on manpower expenditure, it performs very high on branch expansion and volume of business. Its volume of business gets more than doubled and rises 11.85 per cent per employee and 6.12 per cent per branch. Its amount of profit earned per year rises by 35.53 per cent, four positions above average. Its low position, three places below average, on profit index is because it loses 0.102 per cent in profitability related to business volume. It does present fair evidence of progressive policy and managerial effectiveness. We could grade it A—.

BANK I: It is two positions above average on business volume, gets highest benefit on margin and is four positions ahead on branch expansion. But it is badly shaken on manpower expenditure. It used to get Rs 72.48 of business for every one rupee spent on manpower. This went down to Rs 53.44, recording the highest drop of Rs 19.04, resulting in 3.13 per cent drop in profit earned and 0.091 drop in profit percentage related to business volume. We could not grade it higher than C.

BANK J: This bank is one position below average on profit index. Gain in margin is four positions below average. But it is fairly high on branch expansion (91.89 per cent) and business volume (71.79 per cent). Moreover, its expenses per employee rises by 17.56 per cent and business volume per employee rises the highest by 27.84 per cent. Good evidence of purposive policy and managerial effectiveness. We could put it in grade A—.

BANK K: Its growth rate of business is almost the same as that of the average bank. It goes in for very high branch expansion and, despite being four positions above average on margin and expense indices, shows very poor profit performance. It hardly shows evidence of presence of a purposeful policy and managerial effectiveness. We could not grade it above C.

BANK L: Here is evidence of a policy of extreme conservatism: low branch expansion, low employee pay-out, low growth of business volume, slightly higher margin, and, of course, low profits. We might put it in grade C.

BANK M: It presents the profile of conservatism with moderate success. Very low effort at branch expansion, very low damage on manpower expenditure, margin one position below average, growth of business three positions below average, and ending up one position above on profit index. Smacks of low managerial effectiveness. We could grade it only B.

BANK N: This bank shows the highest but unpurposive deviation from the average. Very high on margin, very low on branch expansion, very high on rise in manpower expenditure and fairly low on business volume. It ends up two positions above average on profit index. Poor on policy and managerial effectiveness. We cannot grade it higher than B.

Comparing the banks' profit performance in terms of related factors and judging in a somewhat broader managerial and social context, we have approximately rated the fourteen nationalised banks as follows: 2 in grade A+; 3 in grade A—; 4 in grade B, and 5 in grade C. Judged both in terms of private and social profitability, during the post-nationalisation period, 5 banks in A+ and A— grades improved their positions substantially, four banks in B grade improved their positions moderately, and, five in grade C went down.

TABLE OF STATISTICAL RESULTS

		Maximum	Average	Minimum	Range
p=	Growth Rate of Volume of Profit	166.67	26.46	36.29	202.96
	Change in Profit as Percentage of Business Volume	0.040	—0.042	—0.151	0.191
v=	Growth Rate of Business Value (Balance Sheet Total)	121.43	64.84	44.14	77.29
	Growth Rate of Deposits and Borrowings	128.61	64.10	50.31	78.30
	Growth Rate of Loans and Investments	135.42	67.07	47.70	87.72
	Rise in Yearly Deposit Growth Rate	20.40	10.11	1.69	18.71
m=	Change in Gross Margin of Earnings	0.74	0.36	—0.02	0.76
e=	Growth Rate of Business Volume: Establishment Expense	3.62	—6.63	—19.04	22.66
	Growth Rate of Establishment Expense per Employee	36.75	25.28	5.17	31.58
	Growth Rate of Business Volume per Employee	27.84	10.51	—4.80	32.64
b=	Growth Rate of Number of Branches	122.22	88.28	47.29	74.93
	Growth Rate of Volume of Business per Branch	6.12	—13.33	—27.67	33.79

TABLE OF RANKINGS

Profit	Value of Business	Margin	Manpower Expenses	Branch Expansion
C	C	I	J	M
A	B	A	D	D
E	H	K	G	N
F	J	N	M	H
N	F	L	K	J
M	I	C	L	I
B	A	F	E	C
J	K	D	H	F
G	D	G	C	L
H	E	M	B	G
D	M	B	F	B
I	N	J	A	K
L	L	H	I	A
K	G	E	N	E

IV

In the light of our simplified analysis, we might suggest a few areas for policy changes at the national level. These are based on the assumption that the pressure for branch and business expansion in unbanked regions would continue; that the cost of manpower and other costs of business would continue to rise; and that individual banks will not be able to substantially alter the terms on which they do business under highly competitive conditions.

The first thing we would suggest is that the pattern of general policy 'directives' common for all 14 banks should be replaced by specific policy directives for each bank separately after carefully assessing its strengths and weaknesses.

Second, the spirit behind these directives should be that of policy 'guidelines' and should be evolved with the top executives of each bank separately. By way of illustration, asking every bank to double the number of its branches, or to every time call a conference of the chief executives, or to send out cyclostyled copies of directives do not go far enough. Instead, in some cases they might do more harm than good.

Third, the deficiencies in management of banks at the top level should be carefully scrutinised and effectively remedied. Profitability has to be planned, supported by appropriate policies and strategies and continuously watched. Nationalisation of a bank means its running by a team of professional executives. We should not expect that every bank was or is in a position to automatically throw up a team of dynamic leaders at the top, nor is every competent and experienced executive necessarily also fit for the leadership role. Somebody was looking after this function before nationalisation; the government has now to fill this gap most carefully.

Fourth, the banks should be persuaded to get together and rationalise their services charges. There is no reason why this area should have been left untouched for over 20 years. Some studies made by us show that small improvements here and there could improve profitability of banks substantially. If operating costs keep rising faster than the rise in the volume of business, revenues must be pushed up or profitability would have to go down. After nationalisation while business volume on average went up by 64.38 per cent, manpower expenditure, the

major cost item for any service industry, went up by 84.05 per cent.

Fifth, every bank should evolve its own strategy for branch expansion such that it can be carried out profitably. Experience shows that if branch expansion is carried out after careful planning, it need not cut into profits. In fact, some banks have shown that rapid branch expansion can go along with substantial rise in profits.

Sixth, each bank should work out its strategy for raising and maintaining its volume of business per rupee of expenditure on manpower. Once again, experience suggests that if recruitment, promotion, branch expansion, deployment of personnel and business development are carried out in a planned manner, it is possible to make a very favourable impact on profitability and profits. The gap between best and worst performance is too wide and needs to be bridged. Before nationalisation the highest for business per rupee of expenditure on manpower was Rs 72.48 and the lowest was Rs 38.52. After nationalisation the figures are Rs 57.45 and Rs 39.62 respectively.

Finally, a look at the location of averages in the rankings, as shown by profile of bank X, suggests dominance of conservative over progressive outlook in the group of 14 banks taken as a whole. The future shape of things need to be different. The key to profitability should lie essentially in higher volume of business: total, per employee and per branch; and not so much in watching expense per person and expense on branch expansion.

Camphor and Allied

CAMPHOR and Allied Products proposes to offer for public subscription 5,000 unsecured convertible bonds of Rs 1,000 each to raise part of the finance required for an expansion project estimated to cost Rs 146 lakhs. The bonds will carry interest at 10 per cent and will be redeemable at par on expiry of 12 years. The holders will have the right to convert the bonds into equity shares at the end of 5 years. They will get 3 equity shares of Rs 100 each and Rs 250 in cash for each bond, which means that the shares will be issued at a premium of Rs 150 each. If, in the meanwhile, the company issues bonus shares in the proportion 1 : 3, the bondholder will get 4 shares at a premium of Rs 87.50 per share plus a cash refund of Rs 250 for each bond. The project is for manufacture of 60 tonnes of paramenthane hydroperoxide, 500 tonnes of CP resins, 550 tonnes of sodium acetate out of the company's by-products, besides changeover in the process of manufacture of camphor and installation of a new distillation column for improving recovery of alpha pinene and separating beta pinene to the tune of 185 tonnes. The company has already completed considerable work on its expansion programme, having spent about Rs 75 lakhs out of internal cash generation and loans and deposits. CP resins have been already put on the market, and beta pinene is expected to be marketed soon. Commercial production of PMHP and sodium acetate is expected to begin by mid-1975.

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Functions of the Nineteenth-Century Banian

A Document

Dipesh Chakrabarty

Ranajit Dasgupta

The first half of the nineteenth century in Bengal saw the beginning of the historical stage of colonialism by raw material extraction for metropolitan exploitation.

The colonial elements in the pattern of entrepreneurship that emerged were collaboration between foreign and native capitalists and the growth of the function of the middleman.

The banian was one form of such early collaboration between foreign and Indian business.

This brief note presents a document which appears to be highly useful in understanding some of the functions of the early nineteenth century Banian in Bengal and the role which he performed in the economic activities of the period.

THE very limited object of this short note is to introduce a document found by the authors in a mass of old records of the Bengal Coal Company, now at the disposal of the Coal Mines Authority Limited. The document, dated April 1, 1847, seems to be highly useful in understanding some of the functions of the early nineteenth century banian in Bengal, and the role which he performed in the economic activities of the period.

The first half of the nineteenth century in Bengal saw the beginnings of the historical stage of colonialism by raw material extraction for metropolitan exploitation. The scale of operations involved in the process meant the formation and proliferation of new enterprises built partially on Western principles of centralisation of work-units — e g, mining, plantation, banking, insurance,[1] etc. But since all this was to take place in a market which (a) was colonial and (b) had an extremely narrow credit supply network, it was almost inevitable that entrepreneurial activities would have to bear the stamp of colonial practice on their appearance. In more specific terms, the colonial elements in the pattern of entrepreneurship here were (i) collaboration between foreign and native capitalists, dictated by the narrowness of the money market,[2] with the indigenous capitalists often playing the role of a junior and dependent partner,[3] and; (ii) growth of the function of middlemanship, necessitated partly by the foreign investor's ignorance of the native market,[4] and partly by the need to gather technical skill and labour from a massively predominant population of non-colonials. It appears that the second element persisted, multiplied itself in time, and came to characterise much of the management traditions that were to emerge and grow in the colonial business and industrial houses of the late nineteenth and early twentieth centuries. (The institutions of the Managing Agency or of jobbing in the labour market would be cases in point.)

'Banianship' was only one form of such early collaboration between foreign and Indian businessmen in the nineteenth century. N K Sinha has explained some of the functions of the banian (like purchase and sales for his company, covering risk of loss of goods shipped through him, etc) on the basis of the records in the Supreme Court archives at the Calcutta High Court.[5] The document we present here seems to supplement and add to his description of the nineteenth century banian.

We found this document in the files containing papers relating to the coal interests of Carr Tagore and Company, which were inherited by the Bengal Coal Company, and more recently, by the Coal Mines Authority. It gives the 'Articles of Agreement' signed by 'Baboo Ramnarain Sein' who agreed to certain stipulations "on condition of being appointed a banian to W P Ewing". We have not so far been able to place them, but it seems Ramnarain may have been a relative of Mathura Mohan Sen, the famous nineteenth-century banker.[6] There is also a remark pencilled against Ramnarain's signature on the 'Agreement', which says: 'Brother to the Banian of Gisborne and Co'. All this apart, the document was presumably about appointing a banian to look after some of the affairs relating to marketing of coal. Perhaps this is why the 'Agreement' put so much emphasis on the management of transport, which was *the* big marketing problem facing the coal industry in those days.[7] The banian here, therefore, appears to be almost a transport sirkar and a transport sardar, rolled into one. We would not, then, cite this document as something giving us an idea of the functions of the banian in general. Ours is rather a particular case within the framework of the general — Ramnarain was being taken on as a banian in the coal industry.

But there are certain other features of the 'Agreement' which suggest interesting hypotheses about the early nineteenth-century banian, which may form starting points for further work. Ramnarain, besides managing transport, insurance-business, and owning a 4 annas share in the boat business, also employs labour, looks after their conduct, and gets *dastoory* on their wages. He is, in other words, a primitive jobber (later called 'sardar' in Calcutta labour management) and a manager (an overseer), to whom these functions have been delegated by the owners in the industry. Does the 'banian' then represent, in an embryonic and personalised form, some of the institutions (e g, Managing Agency, jobbing, etc), having the functions of middlemanship, that characterised, and grew within, the later colonial tradition of business management, with the colonial market (for the factor inputs) providing a relevant context for all of these?

The document is quoted below in full:

I the undersigned do hereby agree to the following stipulations on condition of being appointed Banian to W P Ewing Esq.

1st I shall find good and sufficient security for my own conduct.

2nd I agree to find Boats, Manjees, Peons, Hackeries, Cossids, &c, and all that may be necessary for the transaction of the Boat and Insurance Bu-

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siness.

3rd I shall obtain good and sufficient security from the Manjees, Peons, &c, and shall be held responsible for their conduct and honesty; I shall by all lawful ways and means recover the amount of such Security in the event of their deserting the boats or otherwise misconducting themselves.

4[th] In the event of any Boat, Hackery, or Cossid, or the same plurally expressed, &c, &c, being delayed in their dispatch after my having accepted the order, I shall pay the usual demurrage for all such delays.

5[th] I shall appoint Sircars, &c, &c, and all such person or persons as shall be actually required for carrying on the Boat and Insurance Business inland and shall be responsible for their good conduct.

6[th] All Money/Monies that may accrue from the Boat business shall be placed in my hands, and all receipts and outstanding claims shall be realised by me and shall be deposited in my charge, and no disbursements whatsoever shall be made by me without the consent of the Secretary or Secretaries for the time being.

7[th] I shall be allowed the usual dustoory from Manjees, Peons, &c, &c.

8[th] I shall be allowed Sixteen Rupees (Rs 16) per month as wages for supplying of one Cashkeeper and one Sircar for whose conduct I shall be responsible, to commence from the date of the dispatch of the first Boat.

9[th] That I shall receive one Quarter or Four annas share of the Boat business alone, after all office and other charges having been defrayed, and shall bear my proportionate loss.

10[th] That all Boats shall be insured during the rainy and stormy seasons.

[Sd] Ramnarain Sein

Witnessed by [Two illegible signatures]

Calcutta

April First, 1847.

Notes

[The authors remain grateful to the Coal Mines Authority Limited for allowing them to examine some of the very old records kept at the office of their Managing Director in Sanctoria (Dishergash) near Barakar in West Bengal.]

1 It is of course well known from the works of Irfan Habib, L C Jain, etc, that there was a pre-British banking system in India. But the services offered were most personalised, and the banking houses were built up on familial bases. For insurance business in the 18th century Bengal, see Gautam Bhadra, "Some Socio-Economic Aspects of the Town of Murshidabad 1765-1793", (unpublished M Phil Thesis, Jawaharlal Nehru University, New Delhi, 1973), Chapter III.

2 See Sabyasachi Bhattacharya "Inequality and Free Trade" (mimeographed) to be published in Proceedings of the 34th session of the Indian History Congress held at Chandigarh in December 1973.

3 Bhattacharya *(ibid)* looks into some of the 'non-market pressures exerted by the government' that resulted in a 'junior partnership' for native capital. One of the present authors has elsewhere argued that the first half of the nineteenth century saw the growth of a culture of dependence (both ideological and economic) of the Bengali intelligentsia on the British. See Dipesh Chakrabarty, "The Colonial Context of the Bengal Renaissance: A Note on Early Railway Thinking in Bengal", to be published in a forthcoming issue of the *Indian Economic and Social History Review*.

4 *Cf* "He [The Banian] knew market conditions, the country and its people very intimately". N K Sinha, "The Economic History of Bengal", (Calcutta, 1970), III, p 107.

5 Sinha, *ibid*, pp 106-7. See also Dilip Basu, "The Banian and the British in Calcutta, 1800-1850", *Bengal Past and Present*, July-December, 1973, pp 157-170.

6 *Ibid*, p 79, n 14.

7 It was this problem of transport that Dwarkanath Tagore emphasised in his 1844 correspondence with R M Stephenson, the father of the railways in India. See Chakrabarty, *op cit*, Appendix. The problems seem to have been there throughout the nineteenth century. Deveria, Manager of the Raneegunge mines of the Bengal Coal Company, wrote to M/s Gordon Stuart and, Company, Secretaries, Bengal Coal Company, complaining about transport problems. (See his letter dated 6-1-1862.) The Bengal Coal papers include bundles of letters (we saw some for the 1890s) relating to the problem of transport of coal.



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India's Self-Inflicted Defence Burden

Ved P Gandhi

A comparison of India's defence spending with that of China and Pakistan shows that in 1970 the ratio of defence expenditure to GNP is 3.7 per cent for Pakistan — which is no higher than India's. China's defence ratio, which is at best an approximation, is certainly much higher — it is close to eight per cent —but then China, as we know, has been confronting many adversaries, including at least one super military power, all across its wide borders.

If we use some other indices of defence spending, India is certainly ahead of these two countries. The average rate of growth in defence spending in India over the period 1961-1971 was 16.5 per cent per annum which was higher than that of China and practically all the European and North American countries. Even for the developing countries around the world, the average growth rate was only 12 per cent per annum.

Moreover, the average growth rate of the numerical strength of our armed forces during the same period was five per cent per annum and this was higher than that of most countries of the developed as well as developing world. Against this, Pakistan's armed forces grew at an average rate of 3.8 per cent during 1961-1970, Iran's at 2.9 per cent and China's at 3.9 per cent.

What is far more serious is the dire economic cost of our large military expenditure. The expansion in our defence spending during the 1960s has resulted in a whole decade of slackened development.

Any recommendation that we should further expand our military expenditure must, therefore, be viewed in terms of its economic costs; certainly it must be established that this is the least-cost solution to our defence problems. In addition, in view of the extreme poverty of our people and the stagnant nature of our economy at present as well as the inherent rigidities in defence spending, it becomes doubly important that we compare and evaluate the economic costs of getting involved in yet another war vis-a-vis the costs of attempting to avoid a war.

DURING the decade of the sixties India's defence spending grew five-fold — from Rs 313 crores in 1961-62 to Rs 1,600 crores in 1972-73 — representing a growth rate of 16.5 per cent per annum. Whether or not this very substantial devotion of the government to defence — our defence spending as a percentage of GNP has grown from two per cent in 1961-62 to 3.7 per cent in 1972-73 — has constrained our economic development to any extent has not been a subject of much debate. A paper by K Subrahmanyam[1] has brought the issue to the surface. Subrahmanyam, who is an influential defence strategist, has compared India's defence spending with that of many other countries and examined the fiscal implications of our past defence effort. Implicitly, if not explicitly, he advocates a further increase in our defence spending. As he has voiced a similar opinion elsewhere too,[2] a closer examination of his arguments is called for.

Although Subrahmanyam concludes his paper with the cautious remark that "The [optimum] amount of defence outlay to be devoted to manage the security of a nation without incurring unduly high cost is a matter of sophisticated political and economic judgment", he does implicitly throw in some advice anyway. India's defence spending (as a percentage of GNP), he argues, is far less than the world "average" of six per cent (in 1971) and certainly less than that of many countries despite the fact "none of these countries had to face the hostile environment India has had to during the last 25 years". In addition, he argues that: (a) "high defence expenditure does not seem to have a negative correlation with a high economic growth"[3] and (b) "in the case of economies with much unemployment defence expenditure does not have the same impact" as in full employment economies: if anything, it could absorb the "slack" in the economy. All these arguments lead him to the conclusion that "marginal adjustment of defence expenditure within the overall consumption pattern of the economy... is a matter of good national economic management".

Having concluded this way, Subrahmanyam does admit that certain categories of scarce resources such as foreign exchange, highly skilled personnel, limited raw materials, etc, could become "rigid constraints" on our increased defence effort but then he does not believe that "marginal increase in the level of domestic resources [which will need] to be applied" will be a constraint. Overall, thus, he seems to come out in favour of increasing defence expenditure, particularly military research and development expenditure.

In support of his conclusions Subrahmanyam presents the following three arguments: First, India's defence expenditure as a proportion of GNP which presently stands at 3.7 per cent is less than the world "average" of 6 per cent. Some 24 countries spend more than India and, in fact, three countries surrounding India, i e, Iran, China and Pakistan spend, according to Subrahmanyam, more than the world "average".[4] In addition, the average growth rate of defence expenditure in India over the years 1950-70 was only 5.4 per cent per annum which was smaller than that of a cross-section of some 48 countries in the world. In global perspective, then, it seems to Subrahmanyam that India is not overspending on defence.

Second, Subrahmanyam presents a fiscal argument which has three strands: One, the share of defence spending in total (Central and states) expenditure has been declining since 1964-65. Two, the growth in defence spending since 1964-65 has been less than the growth in civil consumption expenditure (i e, non-development expenditure). And,



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TABLE 1 : RELATIVE BURDEN OF MILITARY EXPENDITURE, 1970

Military Expenditure as Percentage of GNP	Gross National Product Per Capita In US Dollars							
	Under 100	100-199	200-299	300-499	500-999	1,000-1,999	2,000-2,999	Over 3,000
Over 10	Laos Vietnam, North	Cambodia Vietnam, South	Iraq Jordan Syria	Albania Korea, North	Saudi Arabia	Israel		
5-10	Burma Somali	China Egypt Sudan		Taiwan Iran Malaysia	Cuba Portugal	Germany, East Greece Poland	Czechoslovakia Soviet Union United Kingdom	United States
2-4.9	Guinea India Chad Ethiopia Indonesia	Central African Republic Mauritania Nigeria Pakistan Senegal Thailand Yemen Zaire	Congo (Brazzaville) Ghana Korea, South Morocco Turkey	Algeria Brazil Dominican Republic Peru	Argentina Chile Lebanon Mongolia South Africa Spain Uruguay Venezuela Yugoslavia	Bulgaria Hungary Italy New Zealand Rumania	Australia Belgium France Netherlands Norway	Canada Denmark Germany, West Kuwait Sweden Switzerland
1-1.9	Afghanistan Dahomey Haiti Niger Upper Volta	Cameroon Kenya Malagasy Mali Tanzania Togo Uganda	Bolivia Ecuador El Salvador Honduras Paraguay Philippines Rhodesia Tunisia	Colombia Guatemala Guyana Ivory Coast Nicaragua Zambia	Cyprus Gabon Trinidad	Austria Libya	Finland	
Below 1	Malawi Nepal	Sri Lanka Sierra Leone	Liberia		Costa Rica Jamaica Mexico Panama	Ireland Japan	Iceland	Luxembourg

Source : "World Military Expenditures, 1971", *United States* Arms Control and Disarmament Agency, July 1972, p 6.

three, growth in defence expenditure in the past has not "constrained" our development expenditure. The last one is more a Subrahmanyam belief rather than an argument based on any substantial empirical facts presented by him.

Third, according to Subrahmanyam, there is no evidence of any correlation between defence expenditure as a percentage of GNP and the growth rate of national income in India. Factors like the monsoon or favourable agricultural seasons rather than defence spending seem to him to have governed our growth rate in the sixties.

CROSS-SECTION ARGUMENT

In evaluating the validity of all his arguments, the cross-section argument is perhaps the easiest to reject. The world "average" of six per cent quoted by Subrahmanyam is made up of the very heavy defence expenditures incurred by certain highly developed countries[5] of the world which are super military powers making every effort to stay that way. The fact that the United States spends close to eight or nine per cent of its GNP on defence or that the whole of Europe spends about seven per cent of its GNP could hardly be our "norms". These countries, as everyone knows, enjoy very high levels of prosperity and per capita incomes and can probably afford high defence spending ratios.[6]

India's defence spending should be guided, if at all, by countries similarly placed in terms of economic situation as well as defence situation. And should we do a comparison of this sort we could arrive at a very different conclusion from Subrahmanyam's.

Indian defence consumes about 3.7 per cent of India's GNP which when compared with the "average" of 2.1 per cent for Latin America as a whole or 2.2 per cent for Africa as a whole appears high. In addition, (Table 1) which gives the world defence-income profile also suggests that India is a country with one of the highest defence to GNP ratios among countries with per capita incomes of less than US $100. In fact, it has the sixth highest ratio after Laos, North Vietnam, Burma, Somalia and Guinea,

One can certainly argue that no two countries are alike in respect of the military threats faced by them. Nevertheless, it can safely be argued that defence spending must be a function of the perceived external threat to security; it is precisely this which justifies such high defence spending ratios for Laos and North Vietnam despite the poverty of their peoples. Of course, it is another matter that one does not know for sure how much of their defence spending was financed by the outside world.

It would also be correct to say it is the perceived rather than the actual threat which often determines a country's defence spending. Unfortunately, the latter is never measurable and the former can be greatly influenced by vested interests. For example it is noted above that Somalia spends a higher proportion of its GNP than India on defence — close to five per cent. As against it, Ethiopia — the country which is perceived as a threat by Somalia — spends only 2.5 per cent. Is this because the Somali government perceives an internal threat in addition to the external threat? But then, Nigeria even at the height of its civil war and internal security problems did not spend more than three per cent of its GNP on defence. Take another example: both Zambia and Rhodesia are set against each other on the frontline of the black-white

TABLE 2 : CENTRAL GOVERNMENT FINANCES, 1961-62 TO 1972-73

	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73 (R)
	(Crores of Rupees)											
1 Defence Expenditure[1]												
Recurrent (Net)	290	425	704	693	762	798	862	929	966	1051	1347	1404
Capital	23	49	112	113	123	111	106	104	135	148	178	196
Total	313	474	816	806	885	909	968	1033	1101	1199	1525	1600
2 Gross Revenues[2]												
Tax Receipts	874	1060	1373	1562	1783	1931	1929	2007	2188	2434	2903	3450
Non-Tax Receipts (excluding interest receipts)	147	184	178	142	241	171	198	204	237	267	450	368
Total	1021	1244	1551	1704	2024	2102	2127	2211	2425	2699	3353	3818
3 Expenditure Allocations[1]												
Non-Development (excluding debt service and inter-government grants and defence expenditure)	219	251	297	360	304	627	415	201	416	639	721	681
Development (excluding loans and advances to states and other parties)	523	711	809	853	837	811	789	842	920	1014	1383	1449
4 Total Expenditures including Defence Expenditures (col 3 + col 1)	1055	1436	1922	2019	2026	2347	2172	2076	2437	2852	3629	3730
5 Net Capital Formation by the Central Government[2]	288	369	477	515	436	415	371	192	318	428	506	635
6 Wages and Salaries of the Central Government[2]	253	318	411	468	523	590	666	706	746	839	982	1043
7 Gross Revenues minus Defence Expenditures	708	770	735	898	1139	1193	1159	1178	1324	1500	1828	2218
8 Gross Revenues minus Defence Expenditures and minus Non-Development Expenditures	489	519	448	538	835	566	744	977	908	861	1107	1537
9 Gross National Product at Current Prices[1]	15940	17067	19654	22960	23921	27467	32313	33006	36000[3]	39000[3]	na	na
	(Percentages)											
10 Defence Expenditures as Per Cent of Gross National Product	1.96	2.78	4.15	3.51	3.70	3.31	3.00	3.13	3.06	3.07	3.80[4]	3.70[4]
11 Defence Expenditures as Per Cent of Total Expenditures	29.7	33.0	42.4	39.9	43.7	38.7	44.6	49.8	45.2	42.0	42.0	42.9
12 Increase in Defence Expenditures as a Proportion of Increase in Gross Revenues	18.5	72.2	114.0	—6.5	24.7	30.8	236.0	77.3	31.8	35.8	49.8	16.1
13 Central Government Revenues as Per Cent of Gross National Product	6.41	7.29	7.89	7.42	8.46	7.65	6.58	6.70	6.74	6.92	7.69	7.68
14 Growth Rate of Gross Revenues	20.4	21.8	24.7	9.9	18.8	3.9	1.2	3.9	9.7	11.3	24.2	13.9
15 Government Savings to finance Development Expenditures	93.5	73.0	55.3	63.1	99.8	69.8	94.2	116.0	98.7	84.9	80.0	106.7
16 Non-Development Expenditures as a Proportion of Total Expenditures	50.4	50.5	57.9	57.8	58.7	65.5	63.7	59.4	62.8	64.4	61.9	61.2
17 Wages and Salaries of Central Government as Per Cent of GNP	1.59	1.86	2.09	2.04	2.19	2.15	2.06	2.14	2.07	2.15	na	na
18 Wages and Salaries as Per Cent of Total Expenditures	24.0	22.1	21.4	23.2	25.8	25.1	30.7	34.0	30.6	29.4	27.1	28.0
19 Net Capital Formation as Per Cent of GNP	1.81	2.16	2.42	2.24	1.82	1.51	1.15	0.6	0.9	1.10	na	na
20 Development Expenditure as Per Cent of GNP	3.28	4.17	4.12	3.71	3.50	2.95	2.44	2.55	2.56	2.60	na	na

Notes : 1 "Report on Currency and Finance" (Annual), Reserve Bank of India.
2 "An Economic Classification of the Central Government Budget" (1967-68 and subsequent issues), Department of Economic Affairs, Ministry of Finance.
3 Estimates, *Commerce*, March 10, 1973.
4 Estimates, K Subrahmanyam, "Indian Defence Expenditure in Global Perspective", *Economic and Political Weekly*, June 30, 1973, pp 1155-1158.

Continued Overleaf

divide and yet the latter spent only 1.8 per cent of its GNP on defence while the former spent only 1.2 per cent in 1970. Sudan, on the one hand, with its serious internal security problem in the late sixties spent close to six per cent of its GNP on defence while none of the Latin American countries, despite their internal tensions, spent as high a proportion of GNP on defence. All this goes to suggest that defence spending can often reflect more than what can be considered the perceived threat to external security. This makes finding any two countries which are 'defence alikes' extremely difficult.

We can grant Subrahmanyam the expertise to tell us that our "hostile environment" is largely due to countries around India, particularly Pakistan and China. We should, therefore, examine what is happening to their defence spending. The latest year for which we have the comparative data is 1970 and the ratio of defence expenditure to GNP for that year was 3.7 per cent for Pakistan — which is no higher than India's. China's defence ratio, which is at best an approximation anyway, is certainly much higher — it is close to eight per cent — but then China, as we know, has been confronting many enemies, including at least one super military power, all across its wide borders.

If we use, on the other hand, some other indices of defence spending, India is certainly ahead of the other two countries. The average rate of growth in defence spending in India over the period 1961-71 was 16.5 per cent[7] per annum which was higher than that of China, practically all the European and North American countries and most of the Latin American countries. Even for the developing countries around the world, the average growth rate was only 12 per cent per annum.[8]

Then the average growth rate of the number of our armed forces personnel during the same period was five per cent per annum and this was higher than most countries of the developed as well as developing world. Against this, Pakistan's armed forces grew only at an "average" rate of 3.8 per cent during 1961-70, Iran's at 2.9 per cent and China's at 3.9 per cent.

To sum up our cross-section argument: The case for increased defence spending in India cannot and should not be made in terms of cross-section "norms". But if this is insisted on, comparison should be made between India and its economic and defence alikes rather than the world as a whole. And should we do this, no clear-cut case emerges for further expanding our defence expenditure. In fact, if anything, a case can be made on fiscal grounds against further expanding our defence expenditure and to this we turn our attention now.

FISCAL IMPACT OF DEFENCE EFFORT

Subrahmanyam believes that our growing defence expenditure in the past has not "constrained" our development effort. He presents some data which suggest that defence spending has been declining as a proportion of both non-development expenditure and total (Central and states) expenditure since 1964-65. In view of these data he pronounces judgment that "constraints on development expenditure do not arise from increased defence spending".[9]

Everybody would be happy to hear this, particularly since our economy has not been doing very well in terms of growth rates in recent years. But is it true?

Subrahmanyam seems to be playing a numbers game with us. By choosing 1964-65 as the base year when defence spending as a proportion of both non-development and total expenditures was almost at its peak — following the Sino-Indian war of 1962 — he could not have any difficulty in showing that defence spending relative to the other expenditure aggregates has declined since then. Let's see what has been happening since 1961-62 when we started stepping up our defence expenditure. Certain things have happened on the fiscal front which cannot be considered satisfactory from a development angle.

Defence is a Central government function which means that the immediate or most direct effects of raising defence spending are on the additional tax effort of the Central government, on marginal savings of the Central government out of additional taxation after meeting defence needs, on the level of development expenditure of the Central government and on the availability of resources to the Central government at the margin to finance development after meeting all non-development (defence as well as civilian) expenditures. The effect of higher defence spending could, of course, be more than marginal if the Central government so reorients all its expenditures, including its revenue transfers to the state governments, as to economise and make cuts in all its non-defence current as well as capital expenditures. In such a case state finances can also be affected in addition to the Central finances.

Assuming for the moment that (a) the formula determining states' shares in Central tax revenues remains unaffected by defence needs (and there is sufficient evidence to suggest that the Central revenue transfers to states have not been influenced by the defence effort), (b) debt service burden is always a 'given' and somewhat unactionable element in Central government expenditure at least in the short run, and (c) inter-government grants are also predetermined by specific (plan or non-plan) grant formulae, it would appear that the only 'actionable' fiscal parameters in a situation calling

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10	125	261	414	577	757
15	188	391	620	866	1,135
20	250	521	827	1,155	1,513
25	313	652	1,034	1,444	1,891
30	376	782	1,241	1,732	2,270
35	438	912	1,447	2,021	2,648
40	501	1,043	1,654	2,310	3,026
45	564	1,173	1,861	2,599	3,404
50	626	1,304	2,068	2,887	3,783
60	751	1,564	2,481	3,465	4,539
70	877	1,825	2,895	4,042	5,296
80	1,002	2,086	3,308	4,620	6,052
90	1,127	2,346	3,722	5,197	6,809
100	1,252	2,607	4,135	5,775	7,565

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for higher defence spending would be the growth rate of gross (tax and non-tax) revenues of the Central government, the allocation of additional revenues to defence, the relative share of development expenditure (which frequently is a residual after other 'essential' needs have been met) in total expenditure, and government savings from its own revenues to finance development expenditure.

It would be interesting now to see how these indicators have been performing since the early sixties. Table 2 presents the relevant fiscal data and is suggestive of the following conclusions: First, defence expenditure which absorbed close to two per cent of our GNP in 1961-62 now absorbs about 3.7 per cent of the same. Whereas it absorbed about 30 per cent of the Central government's (allocable)[10] expenditure in 1961-62 — and much less in earlier years — it now absorbs about 42 per cent of the same. The defence effort of the country has thus caused 'structural' shifts in the Central government spending pattern.

Defence and Tax Effort

Second, it appears that the defence needs of the country initially brought to light by the Sino-Indian war of 1962 led to a major tax effort by the Central government. As Table 2 indicates, it is *only* in the war years of 1962-63, 1963-64 (immediately after Sino-Indian war), 1965-66 and 1971-72 that the government was able to achieve an annual revenue growth rate of over 20 and even 25 per cent. And, surprisingly, whenever the war was over and the pressures of defence spending relaxed, the Central government revenue-to-GNP ratio declined. This ratio which was about five per cent in 1951-52 grew to about 5.5 per cent in 1959-60 and to 6.5 per cent in 1961-62. This suggests that when "development" was the aim of the nation, the Central government was able to raise the revenue ratio by 1.5 per cent in a whole decade. But then, when "defence" was called for, the government was able to achieve a similar percentage in a matter of two years — from 6.4 per cent in 1961-62 to 7.9 per cent in 1963-64. We seemed to have slackened in 1964-65 but raised the ratio by another 0.5 per cent in 1965-66. Then, in the mid-sixties, drought, industrial recession and the plan holiday dampened our development initiatives and gave the Central government an excuse to relax. The result was that its revenue ratio consistently declined from 8.5 per cent in 1965-66 to seven per cent in 1970-71. And then there was war and we raised our revenue ratio again to 7.7 per cent. What this suggests is that in the sixties we have needed wars to motivate us to undertake substantial revenue efforts — as if development was not a serious aim to make tax efforts for!

Defence and Marginal Savings

Generally even wars can be considered to have useful fiscal roles in the short as well as long runs. In the short run a war can generate some — though by way of trickle down effect — marginal savings from additional

TABLE 3 : REVENUE AND EXPENDITURE OF CENTRAL AND STATE GOVERNMENTS (COMBINED)

		1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73 (R)
		(Crores of Rupees)											
1	Revenues	1900	2319	2812	3068	3545	3840	3699	4046	4320	4748	5603	6321
	(i) States 'Own' Revenues	879	1075	1261	1364	1521	1738	1572	1835	1895	2049	2250	2503
	(ii) Centre (excluding interest receipts)	1021	1244	1551	1704	2024	2102	2127	2211	2425	2699	3353	3818
2	Non-Development Expenditures	898	1137	1542	1631	1796	1997	2138	2054	2451	2778	3426	3738
	(i) States	366	412	429	465	607	461	755	820	934	940	1180	1457
	(ii) Centre (including defence)	532	725	1113	1166	1189	1536	1383	1234	1517	1838	2246	2281
3	Development Expenditures	1498	1761	1957	2167	2344	2445	2583	2920	3051	3442	4247	4876
	(i) States	975	1050	1148	1314	1507	1634	1794	2078	2131	2428	2864	3427
	(ii) Centre	523	711	809	853	837	811	789	842	920	1014	1383	1449
4	Total Expenditures	2396	2898	3499	3798	4140	4442	4721	4974	5502	6220	7673	8614
5	Revenues minus Non-Development Expenditures	1002	1182	1170	1437	1749	1843	1561	1992	1869	1970	2177	2583
6	Gross National Product	15940	17057	19654	22960	23921	27467	32313	33006	36000	39000	na	na
		(Percentages)											
7	Development Expenditures as Per Cent of Total Expenditures	62.5	60.8	55.9	57.1	56.6	55.0	54.7	58.7	55.5	55.3	55.3	56.6
8	Development Expenditures as Per Cent of GNP	9.40	10.3	9.96	9.44	9.80	8.90	7.99	8.84	8.47	8.82	na	na
9	Revenues minus Non-Development Expenditures as Per Cent of Revenues	52.7	51.0	41.6	46.8	49.3	48.0	42.2	49.2	43.3	41.5	38.9	40.9
10	Revenues minus Non-Development Expenditures as Per Cent of Development Expenditures	66.9	67.1	59.8	66.3	74.6	75.5	60.4	68.2	61.3	57.2	51.2	53.0

Sources : Table 2 and "Reports on Currency and Finance" (Annual), Reserve Bank of India.



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revenue effort, while in the long run it can have a 'ratchet effect' on the country's revenue effort.[11]

In the Indian context, wars certainly do not seem to have had much ratchet effect because, as indicated above, our revenue effort slackened substantially after every war. What is interesting is that even in the short run there was no significant trickle down effect on government savings. A very large part of the increased revenue effort during the war years, and surprisingly even in later years, was always absorbed by defence. In 1962-63, over 70 per cent of the substantial revenue increases were handed over to defence and in 1963-64 the increase in defence expenditure exceeded the Central government's entire revenue increase. A similar story emerges for 1967-68 when the increase in defence expenditure was more than twice the increase in Central government revenues and for 1968-69 when defence absorbed over three-fourths of the increase in revenues. Even in most other years during the decade of the sixties, defence took away a quarter to a third of additional revenues generated. This would seem to suggest that the growth of defence expenditure in India has developed an in-built momentum of its own quite unrelated to the economic developments in the country or the automatic improvement in the Central government's revenue position. The degree of rigidity implicit in defence spending could easily pose the greatest threat to our fiscal efforts to develop the economy in the long run.

Defence and Development

Fourthly, and this is the most important consideration from our point of view, war times in India (contrary to Subrahmanyam's assertion) have been associated with periods of constrained development effort. The use of the word "associated" is deliberate here because we have no way of establishing the causal relationship between growing defence expenditure and limited development expenditure.

Since the early sixties several things have simultaneously been happening. On the one hand, the Central government's non-development expenditure has risen over time and this despite the government's attempt to curb civilian non-development expenditure to accommodate defence needs. The ratio of non-development expenditure-to-total expenditure which stood at about 50 per cent in the early sixties consistently rose to be close to 60 per cent in the early seventies. A major element in this growth has of course been the rapidly growing wage bill of the Central government. This has in part been caused by the rapidly growing armed forces and their wages. In part, it also reflects the civilian pay increases prompted by the defence-generated inflationary conditions since the early sixties. The wages bill of the Central government which was about 22 per cent of the total expenditure in the early sixties became close to 30 per cent in the early seventies. As a proposition of GNP the Central government wage bill grew from 1.6 per cent in 1961-62 to 2.1 per cent in 1970-71.

This rapid growth of non-development expenditure generally eroded the Central government's ability to finance higher development outlays during the sixties and resulted in its consistently allocating a smaller proportion of its total expenditure to development projects. Net capital formation of the Central government seems to have remained more or less static during the sixties (Table 2) and has, as a matter of fact, declined consistently as a percentage of GNP over the last decade. The same is true of the development expenditure of the Central government as well. Since 1965-66 the Central government's defence spending (as a percentage of GNP) has in fact exceeded the Centre's development spending (as a percentage of GNP) and the gap between the two (ratios) has been ever widening.

State Government Finances

Of course, in India the Central government is not the only or even the main agency incurring development outlays. The state governments are the main agents of development and they do receive substantial financial transfers to undertake development projects. Theoretically, therefore, a decline in the Central government's development expenditure could be consistent with an increase in development effort by the states. One must, therefore, look into the development effort of the Central and the state governments combined.

Table 3 tells us what the development efforts of both Central and state governments have been since 1961-62. Firstly, the Central and state governments have been allocating consistently smaller proportions of their monies to development. Development expenditure which was over 60 per cent of total expenditure in the early sixties has consistently declined to 55 per cent in the early seventies. Development expenditure as a proportion of GNP which should have been expected to rise, instead declined from about 10 per cent in the early sixties to less than nine per cent in the early seventies. Secondly, and this is most important, the Central and state governments not only slackened their development effort, they did not seem to have much motivation to save for development purposes. They consistently saved less during the sixties, their average savings propensity (defined as the ratio of revenues *minus* non-development expenditures to revenues) declined from more than 50 per cent in the early sixties to less than 40 per cent in the early seventies. At the same time these savings financed a smaller proportion of government development expenditures during the sixties.

Defence and Economic Growth

Lastly, Subrahmanyam tells us that high defence expenditure in the sixties did not have a negative effect on our growth rate. He came to this judgment through a correlation analysis which he admitted could yield a "spurious" correlation.

The fact is that there is a definite trade-off between defence and development which we must admit cannot be scientifically and reliably quantified. An in-depth study conducted at MIT on the effect of defence on India's development came to the conclusion that between 1950 and 1966-67 India's growing defence expenditure had "slowed down the average growth of the civilian economy by as much as 0.4 of one per cent a year — which is about one-eighth of its actual recorded growth rate".[12] This study further established that if India allows a "continued build-up" in its defence capability at its present rates, the ratio of its defence spending to its GDP could rise to 6.3 per cent in 1980, and this, *ceteris paribus*, would limit the annual growth rate of civilian GDP to only five per cent against a rate exceeding six per cent if our defence spending were "frozen" at the 1968 level. The study also warned that should India opt for the development of an "effective nuclear capability", a proposal which has also been vehemently made by some writers,[13] its annual growth rate in the seventies could be reduced to negative levels.

While Subrahmanyam might disagree with some of these calculations, he will certainly have to do a lot of empirical research before he can establish that the beneficial effects of our large defence programme have more than offset its adverse effects on our development.

To conclude, it appears that there has not been any intensification of our development effort since the early sixties; if anything, all fiscal indicators point towards a deterioration in our effort or our remaining standstill at the very best.

Heavy military expenditures certainly have serious economic costs and we have only indicated the major fiscal costs. In addition, we do know that heavy defence spending results in rapid inflation, scarcities, corruption, black-marketing, etc. An expansion in our defence spending during the sixties seems to have resulted in a whole decade of slackened development effort and this much-stretched period of developmental slack could lead to so much fundamental economic disequilibrium in our economy as to ruin the very social fabric and moral character of the people which often form the essential ingredients of any future development programme.

Any recommendation that we should further expand our military expenditure must, therefore, be viewed extremely critically in terms of its economic costs; certainly it must establish that it is *the* least-cost solution to our nationally accepted defence objective. I emphasise this because all government expenditures have a tendency to develop vested interests and military expenditures are no exception. In addition, in view of the extreme poverty of our people and the stagnant nature of our economy at present (as well as the inherent rigidities in defence spending pointed out above), it becomes doubly important that we compare and evaluate the economic costs of getting involved in yet another war *vis-a-vis* the costs of attempting to avoid a war. Unfortunately, we are likely to find a very strong lobby for the military and practically none for the poor who are most critically affected by this game; however, the long-term consequences of our decisions today would be extremely serious for our developmental efforts.

Notes

[The comments contained in this paper have been made by the author in his personal capacity. The organisation with which he is associated is in no way responsible for them.]

1 K Subrahmanyam, "Indian Defence Expenditure in Global Perspective" in *Economic and Political Weekly*, Vol VIII, No 26, June 30, 1973, pp 1155-1158.

2 K Subrahmanyam, "Planning and Defence" in "The Crisis of Indian Planning: Economic Planning in the 1960s", Paul Streeten and Michael Lipton, (eds), Oxford University Press, 1968, London, pp 351-377.

3 Subrahmanyam also states that from cross-section data "one is almost tempted to derive a positive correlation between defence expenditure and a high growth rate", *Economic and Political Weekly*, p 1157.

4 This, by the way, is not true for Pakistan.

5 And they do very heavily bias the world "average". In 1970, for example, out of a total world military expenditure of 208 million dollars, developed countries accounted for about 90 per cent of the same. See "World Military Expenditures", United States Arms Control and Disarmament Agency, Washington DC, July 1972, Table 2.

6 The average per capita income of the developed world was over US $2,700 in 1970 while India's was less than US $100. See *ibid*, Table 2.

7 Subrahmanyam gives an annual figure of 5.4 per cent in constant prices for the period 1950-70 (p 1155 *Economic and Political Weekly*). His is clearly a lower figure because he takes 1950 as the base year for his calculations.

8 This and the comparative data given in the next paragraph are taken from "World Military Expenditures, 1971".

9 p 1156, *Economic and Political Weekly*.

10 Debt service burden is assumed to be a given parameter in the short run and hence not an allocable item of expenditure. The same is true of inter-government grants fixed under given transfer formulae.

11 This is the counterpart of the famous 'displacement effect' of public expenditures discovered by Peacock and Wiseman. See Alan T Peacock and Jack Wiseman, "The Growth of Public Expenditure in the United Kingdom", George Allen and Unwin, London, 1970.

12 Emile Benoit, "Defence and Economic Growth in Developing Countries", D C Heath and Co, Lexington, Massachusetts, 1973, p 195.

13 See, for example. Subramanian Swamy, "Indian Economic Planning: An Alternative Approach", Vikas Publications, Bombay, 1971, p 88 ff.

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Problems in Analysing Rural Class Structure

Joan P Mencher

It is important to understand in detail the socio-economic class structure in rural areas because there is still no satisfactory theory which can explain why various types of peasant associations have developed in certain places and not in others. This paper examines certain aspects of the rural class structure in the Chingleput district of Tamil Nadu. In the process, light is thrown on factors which blur class boundaries. This facilitates understanding of some of the reasons for the lack of sustained peasant organisation in Chingleput district as compared to other areas such as, for example, Tanjore.

Such information is also important for the light it sheds on the sources of internal pressure to implement government policies. Most of the talk of land reform during the past 25 years has been viewed as mere rhetoric by most villagers. Here and there we have got protests. But why here and not there? It is important to know what internal forces exist that may propel people to exert pressure for implementation of official policies.

IN this paper, I propose to examine certain aspects of the agrarian, socio-economic, class structure in Chingleput District, Tamil Nadu. I do not need to emphasise the importance of working out a careful approach in any study of the problem of class, for understanding the social structure and social change in any part of the world. A great deal has been written, in the literature on class, about how it might be defined. For the purpose of this paper, I consider an analysis of the social relations of production to be primary. I do, however, distinguish between existence of classes and class consciousness (Harris 1971). I hope to spell out some of the economic, social, and political ways in which the social division of labour — complex as it is — has been further obscured so as to impede the development of class consciousness.

One of the many reasons for trying to understand, in detail, the nature of the socio-economic class structure is that we still do not have a satisfactory theory which can explain why various types of peasant associations have developed in some places and not in others. Thus, in the context of complex hierarchical societies, it is important to understand why people in one area are involved in continual revolt, while those in another area are relatively quiescent. Eric Wolf (1969) has hypothesised:

> that it is middle peasants and poor but 'free' peasants, not constrained by any power domain, which constitute the pivotal groupings for peasant uprisings ... any factor which serves to increase the latitude granted by that tactical mobility reinforces their revolutionary potential. One of these factors is peripheral location with regard to the centre of State control. (292-3).

But this does not completely explain the Indian situation. If one looks at those parts of India where there have been strong movements (apart from tribal regions, such as Naxalbari, parts of Assam and NEFA, or the tribal belt in Andhra Pradesh), one finds that organised movements have occurred in areas where there is a strong polarisation between the landless and all others (among the latter, even the small 2-acre men, who identify with the landed). Thus, materials relating to the Indian village seem to indicate a pattern at variance with the pattern reported as holding in many other parts of the world where the middle peasants, squeezed from both sides, are said to be the major force behind the peasant organisation. Indeed, in village India, major areas where organisations of this type have developed are those with a large agricultural labour class. An additional variable in those areas has been the existence of considerable political activity by the Communist Party. But even with Communist Party activity, strong organisations have developed only where there was sharp polarisation. It is true, as Wolf points out, that many such movements have occurred in areas distant from the centre of political control, such as Kuttanad in Kerala, or Tanjore in Tamil Nadu. But, as we shall see, very little permanent peasant organising has taken root in Chingleput District which is only slightly closer to the centre of power than Tanjore.

I hope to show that, although 43 per cent of the male workers in the rural parts of Chingleput were recorded as agricultural labourers in 1971, a few of these in any given year may become share-croppers (on a 50/50 basis if they have bullocks; if not, on a 1-to-6 basis). Thus, competition for share-cropping has been one factor inhibiting unity among the landless. Similar competition for land, which can be share-cropped along with cultivation of their own plots, operates among the next two social classes also which I have designated as the poor and middle peasants. Though some of the juggling of tenancies is the result of attempts by the well-to-do and the temples to prepare for the eventuality of a permanent record of tenancy rights (a man who has been a tenant for only one year not being able to claim customary rights), large landowners are not totally unaware of the additional benefit to be derived from such juggling — namely, keeping the poor divided. Thus, one way of handling a potential organiser of the landless or of the small peasants has consistently been to threaten that he might not get any share-cropping land for the next season or for the next year.

I would suggest that in many parts of India, the manipulation of the small landed by the better-off has been a successful strategy for keeping the small landed from being more seriously involved in the formation of tenants' associations or from joining with the landless — such as where the landless are also occasionally given land as share-croppers. Anthropologists who have worked in India have spent much time on the analysis of caste and how it functions in the village context, but they have not spent nearly enough time on the ways in which caste has been used by people in the system, as well as by outside observers, to mask class differences. Thus, in social class analysis and in development of class consciousness, while it may be clear that well-to-do members of middle-ranking castes have sometimes given preference to their own caste mates when it comes to giving land for share-cropping, they have done thus also because it served to keep the poor from uniting. The analysis of caste can be overdone. One finds for example that, when land is not given for share-cropping (as in the case of the Kuttanad in Kerala), the landless of different

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

MAKUM TEA CO. (INDIA) LIMITED

Registered Office : **Margherita P.O., Dist. Dibrugarh, Assam.**

Announcement Regarding Issue of 1,70,000 Equity Shares of Rs. 10 each for Cash at par.

Persons interested in full details may obtain copies of the Prospectus dated 27th June, 1974 and Application Forms from the Underwriters, Brokers and Bankers to the Issue mentioned below and also from the main branches or offices of the Bankers to the Issue mentioned opposite their respective names.

The Subscription List for the Shares Issued will open at the commencement of Banking Hours on 9th September 1974 and will close at the close of Banking Hours on 19th September, 1974 or earlier at the discretion of the Board of Directors of the Company but not before the close of Banking Hours on 12th September, 1974.

ACTIVITIES OF THE COMPANY

The company was incorporated on 17th December, 1971 in the State of Assam as a public limited company under the Companies Act, 1956 with the main objects of acquiring the assets, liabilities and undertaking in India of The Makum (Assam) Tea Company Limited of U. K. ('Makum') and to grow, manufacture, buy, sell and deal in tea and to carry on the business of planters in all its branches. Pursuant to an Agreement dated 28th December, 1972 made between the Company and Makum, the Company acquired with effect from 1st January 1973 the whole of the assets, liabilities and undertaking in India of Makum as a going concern and the Company is carrying on its business in tea as aforesaid. The Company's tea estates, namely, Margherita Tea Estate, Dehing Tea Estate and Dirok Tea Estate are situated in the District of Dibrugarh, Upper Assam.

APPLICATION TO THE STOCK EXCHANGE

Application has since been made to the Calcutta Stock Exchange for permission to deal in and for an official quotation of the Equity Shares of the Company.

DIRECTORS OF THE COMPANY

Mr. Narendra Nath Atal
(Managing Director),
52/5, Ballygunge Circular Road,
Calcutta 700 019.
Business Executive.

Managing Director:
Namdang Tea Co. (India) Ltd.

Director:
The Bishnauth Tea Co. Ltd.
*The Assam Railways & Trading Co. Ltd., and other companies.

Sir Owain Trevor Jenkins
Standlands, Tillington
Petworth, Sussex, England.
Merchant—Director.

Director:
*The Namdang Tea Co. Ltd.
Namdang Tea Co. (India) Ltd.
*The Makum (Assam) Tea Co. Ltd.
*Calcutta Electric Supply Corporation Ltd., and other companies.

Mr. Colin Gordon Montgomery
Hoopers Farm, Chardstock,
Nr. Axminster, Devon, England.
Chartered Accountant—Director.

Director:
*The Namdang Tea Co. Ltd.
*The Makum (Assam) Tea Co. Ltd.
Namdang Tea Co. (India) Ltd.
*Mcleod Russel & Co. Ltd.
and other companies.

Mr. Piyushkanti Majumdar
23/20, Gariahat Road,
Calcutta 700 019.
Solicitor.

Partner:
Orr, Dignam & Co.

Director:
Namdang Tea Co. (India) Ltd.
Tezpore Tea Co. Ltd.
The Jutlibari Tea Co. Ltd.
and other companies.

Mr. Tipplrajpuram Ramamirda Swaminathan,
53, Southern Avenue,
Calcutta 700 029
Chartered Accountant

Director:
Rupajuli Tea Co. (India) Ltd.
United Machine Co. Ltd.
(*indicates bodies corporate incorporated outside India)

SOLICITORS

Orr, Dignam & Co.,
29, Netaji Subhas Road,
Calcutta 700 001.

AUDITORS

Price Waterhouse, Peat & Co.,
B-4, Gillander House,
Netaji Subhas Road,
Calcutta 700 001.

REGISTRARS TO THE ISSUE

Williamson Magor & Co. Ltd.,
4, Mangoe Lane,
Calcutta-700 001.

SHARE CAPITAL

Authorised:

10,00,000 Equity Shares of Rs. 10 each Rs. 1,00,00,000

Issued, Subscribed and Fully paid up:
4,78,800 Equity Shares of Rs. 10 each Rs. 47,88,000

PRESENT ISSUE OFFERED FOR PUBLIC SUBSCRIPTION FOR CASH AT PAR

1,70,000 Equity Shares of Rs. 10 each. Rs. 17,00,000

APPLICATION AND TERMS OF PAYMENT

Applications for shares must be for a minimum of 50 shares or multiples thereof and the amount payable on the Equity Shares shall be as follows:

(a) On application Rs. 2.50 per share.
(b) On allotment Rs. 2.50 per share.

The balance of Rs. 5 per share shall be payable in such call or calls as may be determined by the Board of Directors of the Company but the full amount of the shares shall be payable before 20th May, 1975.

RIGHTS OF EQUITY SHARES ISSUED

The Equity Shares issued will rank pari passu in all respects with the existing issued Equity Shares of the Company save and except that in respect of the dividend which may be declared or paid for the current financial year ending 31st December, 1974 their entitlement shall be pro rata for the period from 1st July, 1974 to 31st December, 1974 and proportionate to the capital paid up thereon and as regards all dividends payable in respect of periods subsequent to 31st December, 1974 their entitlement shall be in proportion to the amount paid up on them and pro rata for the period during which such capital is paid up thereon.

UNDERWRITERS

Name and address of Underwriters	Amount underwritten (Rs. in lacs)
Unit Trust of India Bombay Life Building 45, Veer Nariman Road, Bombay 400 001.	5.00
Place, Siddons & Gough (Private) Ltd., 6, Lyons Range, Calcutta 700 001.	2.50
Stewart & Co., 14, India Exchange Place, Calcutta 700 001.	2.50
National and Grindlays Bank Ltd., 19, Netaji Subhas Road, Calcutta 700 001.	2.00
N. L. Roy & Co., 7, Lyons Range, Calcutta 700 001.	2.00
Bhupendra Champaklal Devidas, Bhupen Chambers, Dalal Street, Fort, Bombay 400 001.	1.00
Bharat Bhushan & Co., H-45, Connaught Place, New Delhi 110 001.	1.00
Vinod Kumar & Co., A-6, Connaught Place, New Delhi 110 001.	0.50
Shyam Sunder Chiripal, C/o. Mokandlall & Sons, 7, Lyons Range, Calcutta 700 001.	0·50
	17.00

MANAGING BROKERS

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

Stewart & Co.,
14, India Exchange Place,
Calcutta 700 001.

BROKERS

CALCUTTA

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

Stewart & Co.,
14, India Exchange Place,
Calcutta 700 001.

N. L. Roy & Co.,
7, Lyons Range,
Calcutta 700 001.

Shyam Sunder Chiripal,
C/o. Mokandlall & Sons,
7, Lyons Range,
Calcutta 700 001.

G. M. Pyne,
14, India Exchange Place,
Calcutta 700 001.

Brijnath Khandelwal & Co.,
13, India Exchange Place,
Calcutta 700 001.

BOMBAY

Bhupendra Champaklal Devidas
Bhupen Chambers,
Dalal Street, Fort,
Bombay 400 001.

Jamanadas Morarjee & Co.,
5A, Hamam Street,
First Floor,
Bombay 400 001.

Lewis & Jones,
Bank of Baroda Building,
Apollo Street, Fort,
Bombay 400 001.

Merwanjee Bomanjee Dalal,
Allahabad Bank Building,
Apollo Street,
Bombay 400 001.

DELHI

Bharat Bhushan & Co.,
H-45, Connaught Place,
New Delhi 110 001.

Vinod Kumar & Co.,
A-6, Connaught Place,
New Delhi 110 001.

Amrit Lal Bajaj & Co.,
United India Life Building,
'F' Block,
Connaught Place,
New Delhi 110 001.

Harbans Singh Mehta & Co.,
33, Regal Building,
Parliament Street,
New Delhi 110 001.

MADRAS

Paterson & Co.,
Vanguard House,
11/12, Second Line Beach,
Madras 600 001.

BANKERS TO THE ISSUE

National and Grindlays Bank Ltd 19, Netaji Subhas Road, Calcutt 700 001 and their main branches o offices at Bangalore, Bombay, Cochi Darjeeling, Delhi, Gauhati, Hyderabe Madras and New Delhi.

United Bank of India, 16, Old Cou House Street, Calcutta 700 001 an their main branches or offices a Ahmedabad, Bombay, Dibrugarh, Dig boi, Gauhati, Jorhat, Madras, Marghe rita, New Delhi, Nowgong, Siliguri Tezpur and Tinsukia.

Bank of India, 44, Jawaharlal Neh Road, Calcutta 700 016 and their mai branches or offices at Ahmedabad Bangalore, Bombay, Gauhati, Hydera bad, Indore, Madras and New Delhi.

castes somehow manage to get together in support of strikes. Indeed, in such a context, even religious lines may be crossed, with Christian and Hindu joining together.

The present paper is part of a study dealing with the relationship between agrarian relations and social structure in Tamil Nadu. It is based on three types of data: (1) computer analysis of five villages studied intensively in 1966-67, (2) some of the materials from a computer analysis of materials for 8 villages studied between 1970 and 1971 in this region (3 villages are the same as in the 1967 study), and (3) detailed analysis of material from three of the villages where the author has personally worked. The villages studied are all in the four southern-most taluks of the District. The conclusions are based on data about: actual household ownership of land (within the village and outside of the village), effects of unwritten or masked tenancy, overall household resources, etc. This paper also shows what kind of insight can be gained from the intensive work of the cultural anthropologist, as opposed to the exclusive use of large-scale surveys (though census and survey materials are also mentioned here).

Much material on class in India is based on census and survey data. Because of the nature of these data, such studies tend to describe classes in simply statistical, rather than sociological, terms. (For the few pieces of work that differ, see: Beteille, 1970, 1972a, 1972 b), Indian School of Social Sciences 1973, and Djurfeldt and Linberg 1973.) Beteille notes that statistical conventions often do not reflect the realities of the situation, so that five acres of, say, double-crop paddy land (especially if records list it as 'dry land') are more productive than even 15 acres of unirrigated land in a dry region (1972).

In his paper on West Bengal (1971), Beteille points to some of the ways in which local people divide up the universe. He mentions a number of terms used by people to refer to classifications of people, such as *jotedar* 'landlord'. In the Tamil instance, some of the local terms, such as *coolie* (day labourer), *al-vara-karan* (a man who works as a permanent servant, being paid 1/7th of the harvest), *al-karan* (worker), or *varakaran* (tenant), may be of some use. However, apart from such terms, there is little in the language to distinguish between a *pattadar* (anyone who holds a *patta* or title to land) of half an acre and one with 50 acres. True, words like *periya* (big) might be used, but there is no clear-cut categorisation: only for the few villages where *zamindars* still persist, that term is meaningful. Thus, for the purpose of understanding classes in rural Chingleput, just "the terms used by villagers to define a significant part of their social universe, to identify themselves and others, and to act in a variety of contexts on the basis of these identities" (p 138) are not enough. Relations in the village are very different, depending on whether one is involved with a small, middle, or large landowner. Furthermore, there is no commonly-used term for 'poor' or 'lower class', though unquestionably such a class exists. For the purpose of this presentation. I shall therefore look not at how people define things for themselves, but how the data actually look on the ground.

Before describing the present class components in the agrarian field in Chingleput, one or two other facts of the organisation of productive relations in this region should be noted. We can not, in this paper, go into the history of the region; but it is clear that by the early part of the 20th century, the system of land tenure was considerably different from village to village. The land tenure situation has become even more complicated in recent times, with the introduction of tube-well irrigation. The various types of land arrangements currently in use in the area include the following: (1) Owner-cultivation (with or without *coolies*). (2) Owner-cultivation with the help of one or more permanent male servants paid a regular monthly salary. (3) Owner-cultivation with the help of one or two men on *al-varam* (who received 1/7 of the harvest). (4) Regular *varam* (50/50 share-cropping) — sometimes called *per-padivaram* (most common on land irrigated by an irrigation channel, river, or tank, or on rain-fed land). (5) Share-cropping on 1/3-2/3 or 40-60 basis where the share-cropper gets the smaller amount and the landowner the larger (1/3-2/3 is most common nowadays on land watered by a pump-set, the extra 1/3 being officially said to go to the pump-set; the 40-60 was common before also, on some especially well-endowed irrigated land, or where the landowner could get away with it). (6) *Kuttagai*, under which a tenant pays the landowner a fixed amount, regardless of the yield; this works out better for the tenant when the yield is good, but not so well when it is bad: the practice is quite common in Tanjore, but relatively rare in Chingleput; some of the temple land, and a few other small pieces of land in Pacciyur (one of our sample villages), is given on *kuttagai;* only 2 out of the 8 villages in the 1970-71 sample had any land given on *kuttagai,* however. (7) *Otti,* under which the landowner obtains cash from a tenant in return for letting him cultivate the land; when he pays back the mortgage, the landowner recovers his land; this is one way in which a middle class man, or rarely a poor man who has saved up some money, can get land away from the rich landowners who might need money in a hurry: this form is not common, and in any given year, in some eight villages, one might find only 6 or 7 cases of *otti*, though, over a period of time, at least in some communities, we find considerable transfer of land *via* these mortgages.

There is marked variation in the amount and type of tenure from village to village. In part, this relates to the caste of the dominant landlords. (In a survey of 94 villages in 1967, 48 per cent of the villages had one caste owning 75 per cent of the holdings of over 4 acres, and an additional 24 per cent of the villages had only two castes owning 75 per cent or more of holdings of 4 acres or more.) On the whole, we found Brahmans preferring *per-padivaram*, or *al-varam*, whereas ordinary *varam* is uncommon among Reddiars though they do go in for *al-varam* and *otti*. Among Mudaliars, there is preference for *al-varam* over ordinary *varam* where possible. This is partly due to the preference of the Reddiars and the Mudaliars for active supervision of their own lands.

Socio-Economic Classes in Chingleput

First of all, I shall present a very rough socio-economic classification of the rural population of Chingleput District. At the same time, I shall discuss and analyse some of the factors which tend to blur the picture and make exceedingly difficult the organisation of people and household on class lines. Roughly speaking, the population which derives its main subsistence from land, in one way or another, may be classified into six groups.

(1) *The Landless*: This group is relatively easy to categorise. At present in this category I include only those who *primarily* derive their livelihood from working in agriculture, either as day labourers, as attached permanent labourers for particular landlords, or as *al-vara-karan* (i e, men who work as a

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

NAMDANG TEA CO. (INDIA) LIMITED

Registered Office : **Margherita P.O., Dist. Dibrugarh, Assam.**

Announcement Regarding Issue of 2,00,000 Equity Shares of Rs. 10 each for Cash at par.

Persons interested in full details may obtain copies of the Prospectus dated 27th June, 1974 and Application Forms from the Underwriters, Brokers and Bankers to the Issue mentioned below and also from the main branches or offices of the Bankers to the Issue mentioned opposite their respective names.

The Subscription List for the Shares Issued will open at the commencement of Banking Hours on 9th September 1974 and will close at the close of Banking Hours on 19th September, 1974 or earlier at the discretion of the Board of Directors of the Company but not before the close of Banking Hours on 12th September, 1974.

ACTIVITIES OF THE COMPANY

The company was incorporated on 17th December, 1971 in the State of Assam as a public limited company under the Companies Act, 1956 with the main objects of acquiring the assets, liabilities and undertaking in India of The Namdang Tea Co., Limited of U.K. ('Namdang') and to grow, manufacture, buy, sell and deal in tea and to carry on the business of planters in all its branches. Pursuant to an Agreement dated 28th December, 1972 made between the Company and Namdang, the Company acquired with effect from 1st January 1973 the whole of the assets, liabilities and undertaking in India of Namdang as a going concern and the Company is carrying on its business in tea as aforesaid. The Company's tea estates, namely, Namdang Tea Estate, P.O. Margherita and Bogapani Tea Estate P.O. Bogapani are situated in the District of Dibrugarh, Upper Assam and partly in District Tirap in Arunachal Pradesh.

APPLICATION TO THE STOCK EXCHANGE

Application has since been made to the Calcutta Stock Exchange for permission to deal in and for an official quotation of the Equity Shares of the Company.

DIRECTORS OF THE COMPANY

Mr. Narendra Nath Atal
(Managing Director),
52/5, Ballygunge Circular Road,
Calcutta 700 019.
Business Executive.

Managing Director:
Makum Tea Co. (India) Ltd.

Director:
The Bishnauth Tea Co. Ltd.
*The Assam Railways & Trading Co. Ltd., and other companies.

Sir Owain Trevor Jenkins
Standlands, Tillington
Petworth, Sussex, England.
Merchant—Director.

Director:
*The Namdang Tea Co. Ltd.
Makum Tea Co. (India) Ltd.
*The Makum (Assam) Tea Co. Ltd.
*Calcutta Electric Supply Corporation Ltd., and other companies.

Mr. Colin Gordon Montgomery
Hoopers Farm, Chardstock,
Nr. Axminster, Devon, England.
Chartered Accountant—Director.

Director:
*The Namdang Tea Co. Ltd.
*The Makum (Assam) Tea Co. Ltd.
Makum Tea Co. (India) Ltd.
*Mcleod Russel & Co. Ltd.
and other companies.

Mr. Mumtaz Ahmad
52/5, Ballygunge Circular Road,
Calcutta 700 019.
Business Executive and
Tea Taster.

Director:
*The Imperial Tea Co. Ltd.
*Halem Tea Co. Ltd.
*The Gingia Tea Co. Ltd.
and other companies.

Mr. Jagdish Chander Varma
Margherita P.O.,
Dist. Dibrugarh, Assam.
Chartered Accountant.

Director:
Nocte Timber Co. Ltd.

Mr. Piyushkanti Majumdar
23/20, Gariahat Road,
Calcutta 700 019.
Solicitor.

Partner:
Orr, Dignam & Co.

Director:
Makum Tea Co. (India) Ltd.
Tezpore Tea Co. Ltd.
The Jutlibari Tea Co. Ltd.
and other companies.
(*indicates bodies corporate incorporated outside India)

SOLICITORS

Orr, Dignam & Co.,
29, Netaji Subhas Road,
Calcutta 700 001.

AUDITORS

Price Waterhouse, Peat & Co.,
B-4, Gilander House,
Netaji Subhas Road,
Calcutta 700 001.

REGISTRARS TO THE ISSUE

Williamson Magor & Co. Ltd.,
4, Mangoe Lane,
Calcutta-700 001.

SHARE CAPITAL

Authorised:

10,00,000 Equity Shares of Rs. 10 each Rs. 1,00,00,000

Issued, Subscribed and Fully paid up:

5,65,200 Equity Shares of Rs. 10 each Rs. 56,52,000

PRESENT ISSUE OFFERED FOR PUBLIC SUBSCRIPTION FOR CASH AT PAR

2,00,000 Equity Shares of Rs. 10 each. Rs. 20,00,000

APPLICATION AND TERMS OF PAYMENT

Applications for shares must be for a minimum of 50 shares or multiples thereof and the amount payable on the Equity Shares shall be as follows:

(a) On application Rs. 2.50 per share.
(b) On allotment Rs. 2.50 per share.

The balance of Rs. 5 per share shall be payable in such call or calls as may be determined by the Board of Directors of the Company but the full amount of the shares shall be payable before 20th May, 1975.

RIGHTS OF EQUITY SHARES ISSUED

The Equity Shares issued will rank pari passu in all respects with the existing issued Equity Shares of the Company save and except that in respect of the dividend which may be declared or paid for the current financial year ending 31st December, 1974 their entitlement shall be pro rata for the period from 1st July, 1974 to 31st December, 1974 and proportionate to the capital paid up thereon and as regards all dividends payable in respect of periods subsequent to 31st December, 1974 their entitlement shall be in proportion to the amount paid up on them and pro rata for the period during which such capital is paid up thereon.

UNDERWRITERS

Name and address of Underwriters	Amount underwritten (Rs. in lacs)
Unit Trust of India Bombay Life Building 45, Veer Nariman Road, Bombay 400 001.	5.00
Place, Siddons & Gough (Private) Ltd., 6, Lyons Range, Calcutta 700 001.	3.50
Stewart & Co., 14, India Exchange Place, Calcutta 700 001.	3.50
National and Grindlays Bank Ltd., 19, Netaji Subhas Road, Calcutta 700 001	3.00
N. L. Roy & Co., 7, Lyons Range, Calcutta 700 001.	2.00
Bhupendra Champaklal Devidas, Bhupen Chambers, Dalal Street, Fort, Bombay 400 001.	1.00
Bharat Bhushan & Co., H-15, Connaught Place, New Delhi 110 001.	1.00
Brijnath Khandelwal & Co., 13, India Exchange Place, Calcutta-700 001.	0.50
Vinod Kumar & Co., A-6, Connaught Place, New Delhi 110 001.	0.50
	20.00

MANAGING BROKERS

Place, Siddons & Gough (Private) Ltd.,
6, Lyons Range,
Calcutta 700 001.
Stewart & Co.,
14, India Exchange Place,
Calcutta 700 001.

BROKERS

CALCUTTA

Place, Siddons & Gough (Private) Ltd.,
6, Lyons Range,
Calcutta 700 001.
Stewart & Co.,
14, India Exchange Place,
Calcutta 700 001.
N. L. Roy & Co.,
7, Lyons Range,
Calcutta 700 001.
G. M. Pyne,
14, India Exchange Place,
Calcutta 700 001.
Brijnath Khandelwal & Co.,
13, India Exchange Place,
Calcutta 700 001.

BOMBAY

Bhupendra Champaklal Devidas
Bhupen Chambers,
Dalal Street, Fort,
Bombay 400 001.
Jamanadas Morarjee & Co.,
5A, Hamam Street,
First Floor,
Bombay 400 001.
Lewis & Jones,
Bank of Baroda Building,
Apollo Street, Fort,
Bombay 400 001.
Merwanjee Bomanjee Dalal,
Allahabad Bank Building,
Apollo Street,
Bombay 400 001.

DELHI

Bharat Bhushan & Co.,
H-45, Connaught Place,
New Delhi 110 001.
Vinod Kumar & Co.,
A-6, Connaught Place,
New Delhi 110 001.
Amrit Lal Bajaj & Co.,
United India Life Building,
'F' Block,
Connaught Place,
New Delhi 110 001.
Harbans Singh Mehta & Co.,
33, Regal Building,
Parliament Street,
New Delhi 110 001.

MADRAS

Paterson & Co.,
Vanguard House,
11/12, Second Line Beach,
Madras 600 001.

BANKERS TO THE ISSUE

National and Grindlays Bank Ltd., 19, Netaji Subhas Road, Calcutta 700 001 and their main branches or offices at Bangalore, Bombay, Cochin, Darjeeling, Delhi, Gauhati, Hyderabad, Madras and New Delhi.

United Bank of India, 16, Old Court House Street, Calcutta 700 001 and their main branches or offices at Ahmedabad, Bombay, Dibrugarh, Digboi, Gauhati, Jorhat, Madras, Margherita, New Delhi, Nowgong, Siliguri, Tezpur and Tinsukia.

Bank of India, 44, Jawaharlal Nehru Road, Calcutta 700 016 and their main branches or offices at Ahmedabad, Bangalore, Bombay, Gauhati, Hyderabad, Indore, Madras and New Delhi.

kind of share-cropper, receiving one portion for every six retained by the landowner). Occasionally, one even finds a landless family who happens to own a pair of bullocks, working as share-croppers.[2] According to the provisional tables of the 1971 census, 43 per cent of working males in the rural area are classified as agricultural labourers. Thus, this group is significant in size.

Though it is true that the vast majority of the landless work as day labourers year after year, there is enough movement between the category of landless and *al-varam* (sharecropper) to keep the landless somewhat divided. If tenancy or even *al-varam* positions are scarce, then this breeds competition, which keeps people on the look-out for their own self-interest rather than their collective interest. Furthermore, the category of landless is cross-cut by caste. Though caste, and caste loyalties, have certainly been overplayed in anthropological literature, caste does provide a mechanism which can be manipulated to keep those with common economic needs divided. In five villages surveyed in 1967, of the two largest caste groups, 56 per cent of all the households of Vanniyars (Naicker, Gounder group) owned less than one acre of land; of the Paraiyans (untouchables) 85 per cent owned less than one acre of land. This included 343 Vanniyar households and 209 Paraiyan households. In our 1970-71 study, 243 of the 446 Vanniyars owned one acre or less of land, whereas 459 of the 495 Paraiyans owned one acre or less land. Furthermore, no Paraiyan owned over 10 acres of land, whereas 26 Vanniyar families did. The landless in this area have occasionally joined together for strikes (Mencher, 1971), but on the whole the well-to-do Vanniyars have managed to keep the Vanniyar poor politically isolated and segregated from the untouchable poor. Populist appeals have helped to keep the landless group among the Vanniyars occupied and distracted.

(2) *Poor Peasants*: The second group consists of those who own small pieces of land ,between 1 and 2.5 acres),[3] small enough to require that on occasion some of the members of a household do day-labour. The extent to which this group is required to 'go for coolie' is related to a large number of variables, among them: (1) the size of the household, especially the number of adults over the age of 16 or 17; (2) the type of land owned (whether it is dry or wet land, and if wet the number of crops that can be cultivated on it per year); (3) the ability of the household to add to its operational holding by leasing in land, on either 50/50 or one of the other forms of *varam* — which in turn is related to other variables, such as (a) the number and health of bullocks, (b) the number of well-to-do in the village or outside who give land for rent, as opposed to cultivating their land under their own supervision or under the supervision of a hired manager (we find in general more people giving land for rent to tenants if the land is irrigated by a natural source, e g. a river, or tank, than if it is irrigated by a tube-well), (c) the kind of relationship existing between the household in question (especially the head of the house) and the well-to-do and the local temple authorities. (Often the temple is a significant renter of land.) (4) Other variables that affect the status of households in this category include whether anyone in the house or from the household (e g, a son or brother) has any other source of income (e g. peon, school-teacher, cleaner on a bus, seller of milk, mason, etc). (5) Another factor which influences whether or not members of a household in this category have to go out for day labour is seasonal rainfall. In a good year, many families with two acres have enough work tending their own land and may not need outside employment, whereas in a bad year, especially when natural irrigation sources fail, they might have to depend on day labour to provide for their food in the lean months. (Only a few people owning less than 2.5 acres own tube-well water or have it available for purchase.)

This category could be called 'poor peasant', in contradiction to category one, for which the term 'peasant' is no more relevant than the term 'rural proletariat'. Category two differs somewhat from category one in caste composition. There are proportionally fewer untouchables in this category than in category one, though there still are some untouchable families in most villages who have over one acre of land. Indeed, in some villages, there are several untouchable families in this category. Furthermore, there usually are households of more than one of the other castes who could be considered poor peasants. It must be pointed out in this connection that, the exigencies of rice cultivation require even owners of tiny plots of land to hire people at last for help in transplanting and harvesting. Thus, even the smallest owners are employers. This is true regardless of caste, though among the Naickers, exchange of labour seems to be preferred to wage labour. In this connection, it has been pointed out that rice cultivation thus appears to require either a vast army of landless or semi-landless labourers or else organisation of farming on a co-operative basis. In the Indian context, the former has always dominated, though there is no intrinsic reason why co-operative farming could not work in the future.

(3) *Middle Peasants*: The third category consists of those who are clearly self-sufficient, and able to sustain themselves without ever doing coolie-work. For some families, especially if they are large, two-and-a-half acres is is not enough. For others, anything over three acres, especially if some of it is double-cropped paddy land, is enough to permit a modest degree of security. As in the other two categories, there are other factors operative here too, such as whether or not a family adds to its holding by renting, whether or not any of the family members have any non-agricultural income, and the extent to which the family aspires to a semblance of urban middle-class life. Thus,two-and-a-half acres of double crop paddy land would adequately feed a family of two adults and three or four children (even in a bad year), but would not be sufficient for college expenses (without a loan) or for costly marriages especially in communities that give dowry. It is clear, however, that in general families in category 3, and even many in category 2, do not see a commonality of interest with the landless — not even with their own landless relatives. Households with over 2.5 acres of land are employers of labour, and rarely go out as manual labourers themselves. In wage disputes with agricultural labourers, they tend to side with the rich farmers and landlords rather than with the landless. (This is generally valid, though I know personally a few notable exceptions, some of whom own 15-odd acres of land. But those individuals who are exceptions clearly see themselves as unusual. Some are people who hope to become political leaders, and do not have or expect the support of the wealthy. Thus, they are dependent on the landless for votes.)

(4) *Rich Farmers*: The real break-off point between the third group and the fourth is about 7.5 acres, at least in the paddy-producing parts of Chingleput. I would like to classify those having between about 7.5 and 15 as rich farmers. It is clear that people with 7 or more acres of land are not only self-sufficient, they are also able to store surplus for a bad year, and still have enough grain to sell to ob-

tain cash for the purchase of consumer goods. (Most have a transistor set or a regular radio, and if possible electricity.) It is in this category, that one finds many landowners with pump-sets (at least where it seems feasible for them to sink a tube-well for their dryland). Indeed, as I have shown in another paper (1974), it is especially the landowners in this and in the higher categories who have benefited most from the expansion of irrigation under the new agricultural strategy of the 1960s.

For Kerala, a study conducted by the Indian School of Social Sciences (1973) has classified all those persons or families who do not physically participate in the major agricultural operations as 'landlords'. They were further divided into the categories, 'feudal landlord' and 'capitalist landlord', on the basis of the source of their income; i e, the feudal landlords are those who lease out land and who derive at least 50 per cent of their total agricultural income from rent. Thus, for feudal landlords, "income from rent is greater than income from wage exploitation". The study distinguishes the capitalist landlord from the rich farmer on the basis of whether the head of the family participates, physically or manually, in the major cultivation activities — instead of merely supervising. On this basis, we find that our land categories become quite mixed, since even some people in the 7.5 to 15 acres category could be classified as either feudal or capitalist landlords. This is especially true of higher-caste *pattadars*, who rarely work in the fields, and it is invariably true when it comes to Brahmans. Even among the so-called agriculturalist castes such as Reddiars and Mudaliars, there are households, with as little as 4 acres, without any other source of income, and of which the head will not soil himself with manual labour. This is particularly true among families who at one time owned a lot of land, but have now come down in life though they are still concerned about their prestige.

(5) *Rich Farmers, Capitalist Farmers, and Traditional Landlords*: The fifth category consists of households owning between 15 acres and approximately 30 acres of land. In this category there are three types of agriculturalists — though the lines of distinction are not always as sharp as theory would have it. There are some rich farmers who, apart from giving small parcels of land to sharecroppers, cultivate most of the land themselves with the help of coolies, and actually go into the fields and do some of their manual work — especially ploughing and levelling. On the other hand, some of these men are clearly capitalist farmers. They see agriculture as a way of earning a living and as a source of investment. There is considerable concern about the maximisation of profits, and a resentment about the 'continual complaining' by the coolies about their wages. The pure capitalist farmers (who do not do physical labour themselves), and the rich farmers with over 15 acres of land, tend to view agrarian relations in very similar ways. For the most part, their decisions about agricultural strategy are strongly affected by their perception of a variety of physical factors (rain, water, land fertility, etc), and economic and factors (wages *vs* prices for different commodities, expectations of change in what is available, etc). One also finds in this category, as in category four above, traditional landlords of the old school. I hesitate to call them 'feudal', because this is an area that has been subjected to capitalist penetration for a long period. Furthermore, not all of the landlords who fit into this category have necessarily owned land for a long time. Mostly this category consists of landowners who give their land on various kinds of tenancy to labourers who look after their land for them. In some cases they have permanent tenants. This is especially true of the absentee landowners, or of those landowners who are elderly, or of households with no males. If the landowners are resident in the village and are physically fit, they tend (this is true at least for the past 15 years) to change tenants frequently, so that no tenant will be able to have any claim to the land if and when a record of rights is drawn up by the government. And this appears to be what has happened to the vast majority of the people in the villages studied by our project. Actually, the amount of land owned by landowners in very distant places is quite small, and need not be considered here. (One does find, especially on or near the Madras-Madurai main road, large plots of land bought up by people from Madras City, especially people in the film industry, which are given out to tenants. This is usually considered a safe way to invest money, and also a way to reduce one's tax liability.)

(6) *Indeterminate Class of Large Land-Holders*: There are also a few households in the over-30-acre category. In a survey of 93 villages in four Community Development Blocks, I found considerable difference in caste for this category, with 4 per cent of the untouchable households owning over 30 acres, 2.3 per cent of the Vanniyars (the large caste Hindu labouring-class community), and 35 per cent, 35 per cent, and 22 per cent, respectively, among the Brahmans, Reddiars, and Mudaliars.[4] If anything, I suspect that the figures for the latter three communities may be understatements, since we only considered land owned in one village, and most of the well-to-do high-caste people own land in more than one village. It would be hard to decide how to classify these landowners, and I frankly question whether it would even be useful to bother to decide if they are 'capitalist farmers' or 'feudal landlords'. Incidentally, this survey was done when the land ceiling was 30 acres. I suspect that, by now, most of these people have concealed their holdings and appear on paper as holding only 15 standard acres, or whatever their particular household is entitled to (see footnote 6). When we tried to collect detailed data on landholdings on a house-to-house basis in 1967, and again in 1970-71, it was remarkably difficult to obtain accurate figures; indeed, we were struck by just how easy it is to conceal landholdings.

Looking at the agrarian situation in this part of Tamil Nadu, then, it is clear that there are striking inequalities in the distribution of wealth. Taking the rural population of the district, as noted above, the provisional tables of the 1971 census shows that 43 per cent of all working males are agricultural labourers (though a few might own a few cents of land, the definition of 'agricultural labourer' meaning those who earn their primary livelihood from such labour). In addition (p 143) 32 per cent of the working male population are listed as 'cultivators' and another 25 per cent as 'other'.[5] Of the 32 per cent who are classified as cultivators, we have reason to believe on the basis of our project data that, by far the vast majority, fit into categories 2 and 3 above. Those owning more than 7.5 acres, even of dry land, are quite rare, though together they tend to control a considerable proportion of the agricultural land. In a survey of five villages in 1967, I found that 6 per cent of the households controlled 48 per cent of the land, and the 1970-71 data show a similar trend. Furthermore, a considerable number of the better-off agricultural households own land in other neighbouring villages. In addition, if we look at the better-off households in the village, we find other useful information. In a significant number of these households, along with income from the land, we also find more members of the family who are employed outside or have additional sources of income which add to the households resource base and serve to raise them further in the socio-economic sphere.

TABLE 1: DISTRIBUTION OF LAND OWNERSHIP FOR FIVE VILLAGES SURVEYED IN 1967

Land Category (acres)	Number of Households	Total Land (acres)
Under 1	782	138.79
1-3	250	445.96
3-6	157	685.71
6-10	78	622.91
10-15	38	472.76
15-25	33	603.23
25-40	9	268.15
40+	5	273.13

ANALYSIS

The question then remains: What are the contradictions within the present agrarian system, and to what extent do outside economic and political forces affect it? It seems to be a clear system of economic inequality, but what are its weak spots? It is clear that the poor do not like being poor, but then why has there been so little organisation among them? There are a number of reasons. First of all, it is not true that there has not been any agitation at all. As I have shown elsewhere (1971), in one sub-region in Kanchipuram taluk, a successful strike for higher wages occurred just prior to the panchayat elections in August 1970, and less than a year before the national and state elections. But the organising that culminated in this strike had become non-existent when we worked in the region in September and October 1970. In other words once the aims were secured, the organisation broke up.

In describing each of the social classes, I have tried to show how the moving from one category to another has also served to confuse the picture. This is especially true when movement between categories, especially between 1 and 2 or 2 and 3, is temporary, and there is competition among people to get share-cropping agreements for a given year. Yet, the fact remains that, everyone in the village knows who is rich and who is poor. While there might be confusion between categories 2 and 3, for example, no one is uncertain as to who belongs in the upper categories (4, 5 or 6), though the exact amount of land owned is often hidden. To some extent, caste has been exploited to keep the poor divided; but that is not the whole story. Perhaps one of the additional factors which has been successful in keeping the poor from uniting has been the rhetoric, associating the DMK party as being for the common man; this may have served to channel political energy away from class-based concerns.

In addition, there has been a fair amount of official propaganda which gave the impression of the State helping the poor. First, a land law was passed restricting land ownership to 30 standard acres.[6] (This in itself is a bit of a misnomer, because most of the tube-well irrigated land comes in the category of dry land, hence an acre is much less than a standard acre. The same is true of a lot of wet land which is watered by sources which are not 100 per cent reliable). Later, this was limited to 15 standard acres. But, not surprisingly, very few households were found to have land in excess of the ceiling.

What are the problems associated with classifying groups purely on the basis of land holdings? It is clear that if one tries to classify households into social classes simply on the basis of large-scale surveys, there are many difficulties that remain simply unsolved. Indeed, much of the dynamics which one can see on the ground is hard to capture even in running house-to-house detailed censuses, which we did in our project in 1970-71, and which I had also done earlier. To begin with, we found that it was exceedingly difficult to get accurate figures on the larger landowners, especially where the household itself controls much more than the ceiling (even if no single person has too much land listed in his own name). There were a variety of reasons for this, but the main one was the fear of changes in land legislation that might require greater covering up. We did manage to get fairly accurate statistics for some of these villages, but it was exceedingly difficult to do. Secondly, obtaining data on tenancy was even more difficult. People were very much aware that at some point the government would draw up a record of rights, listing specific tenants as being attached to particular pieces of land. For this reason, I found that, from the late 1950s on, most farmers who let their land out to tenants had made it a practice to shift around the tenants as much as was feasible — sometimes retaining the same man for two or three years, sometimes letting him go after one year, sometimes shifting him to a different plot of land owned by the same landlord. Yet, even my own study does not provide me with any kind of statistical information on the frequency of this. There are two reasons for this lack. The first is that I had not realised just how prevalent it was until I started to look at some of the intensive interview materials from two of the villages. Secondly, it is hard to obtain tenancy histories from every household. However, there are enough data to suggest that this shifting of tenants is quite common, especially for resident landlords. Most of the tenancies are unwritten. Many are masked, especially when the tenant is a poor relative who can be controlled in a variety of ways, or is in debt to the landowner. Thus some landlords, when asked about tenants, denied having any. And some of the tenants were hesitant to mention who they did *varam* for. They were afraid that might get into trouble with their landlord, and might not be given land on *varam* the following year. This was particularly notice-

TABLE 2: DISTRIBUTION OF LAND OWNERSHIP FOR EIGHT VILLAGES SURVEYED IN 1970-71

Land Category (acres)	Number of Households	Percentage	Cumulative Percentage
No land or less [illegible] 10 cents	813	49.51	49.51
0.1-1.0	227	13.82	63.34
1.1-2.5	217	13.22	76.55
2.55-5	191	11.63	88.19
5.1-7.50	72	4.38	92.57
7.50-10.0	45	2.74	95.32
10.1-15.0	33	2.01	97.32
15.1-30.0	39	2.38	99.70
30+	5	0.30	100.00

Note: This distribution is based on reported land holdings and not actual land holdings in village. Thus, the number of households in the last two categories is actually slightly higher. Still, the general picture is quite correct.

able when people were interviewed in situations where their answers could be heard by anyone else (a difficult situation to avoid in crowded poor neighbourhoods).

Labour and Tenant Organisations

I have dealt with landless labour organisations in detail in another paper (1971), and cannot discuss them here in detail. It is clear, however, that a number of factors have operated to keep them from developing as consistently in Chingleput as in the eastern part of the old Delta of Tanjore, reported on by Beteille. One factor has been the exploitation of caste by the castes; a second has been the competition developed among the landless for well-to-do of a variety of low-ranking the benefits handed out by the landed. Thus, even though only a fraction of the landless in any one year might be doing *al-varam* or *varam*, the possibility of such employment keeps them at competing with one another. Further, as Beteille noted for the parts of Tanjore where labour movements are less prevalent,

> When, on the other hand, we consider large, medium, and small landowners, we find the differences between them to be fewer and less clear ... the lines we draw between them are found to be subjective and to that extent arbitrary less ... minor differences in the size of holding may be mutigated by a variety of other factors such as family size. (pp 136-7)

It is striking that in the two southern peasant agricultural regions (as opposed to tribal areas where other factors intrude in the picture), those most successful in organisation of landless labourers have been the two regions (the eastern part of the old Delta in Thanjavur, and Kuttanad in Kerala) where there appears to be the sharpest cleavage between landless labourers and tenants or small peasants. In the Indian context, the small or middle peasants have not been the ones to organise or lead revolts of any kind. This is sharply opposed to the situation described by Wolf, (see above).

In the south Indian peasant context, it has been the landless labourers, unconstrained by possible ties to the land, who have been the main agitators or strikers. True, there is a correlation between political party activity (especially CPM activity) and the organisation of active *kisan sabhas* (agriculturalist societies). Thus Beteille notes that the class conflict reported on for the eastern part of the old Delta of Tanjore has had its ups and downs, and that this is closely correlated with the "political fortunes of the Communist Party in the state as a whole" (1949). This has not been a problem in Kuttanad where the Communist Party and later the CPM has had a solid following among the landless since the 1940s, though they have clearly been more active in augmenting strikes when the government was headed by the CPM, or even their rival CPI. It is striking that, in Chingleput District, the party which has claimed the allegiance of the landless has been the DMK. The DMK have organised and helped the landless more when they were worried about losing elections and have been quite negligent of the poor in areas where they have been strong. Being a party that is ridden by class interests, but which derives considerable support for their populist platform from the poor, the landless, or the small farmers, the DMK have moved to some extent against traditional landowners, especially former *zamindars*, but not against capitalist landlords or rich farmers, some of whom help the party financially.

It is certainly clear that caste has been utilised to keep the poor divided, but that alone is not enough. The blurring of class lines among the lower categories has also been significant. In Kuttanad, it is true that there has been a long history of politicisation, but it is also true that the landowners, from the 1 to 2 acre owner up, have been opposed to the agricultural labour unions. Furthermore, the agricultural labourers are rarely made tenants, since tenancy is too dangerous in the context of the land legislation in Kerala. In this area, while it is true that the bulk of labourers are untouchables, one also finds caste-Hindu landless labourers joining in with the untouchables for the purpose of protecting themselves from exploitation. The blurring of class lines, and the lack of adequate political organisation, is the main reason for this not happening in Chingleput.

In Tamil Nadu, the land ceiling has been reduced, and the government has been in the process of creating what is called a record of rights for tenants in each district. Yet, when one of the student assistants from our project rechecked in a number of villages in September 1972, he found that none of the villages was aware of any change in the land ceiling, nor was any one aware of anything going on relating to a record of rights. In discussing tenancy reform, and whether there is any hope for it becoming anything meaningful, the Jacobys point out :

> Upto now a neglected aspect of the landlord-tenant relationship is the psychological readiness of the tenants to submit to the landlord's will...this kind of reform ... can only be successfully implemented if strong, independent peasant organisations encourage the tenants to demand collectively that which they are too weak to claim individually. The extent to which governments encourage active tenants' organisations, therefore, is major proof of their sincerity with regard to the implementation of tenancy reforms. The publicity given to the content and ultimate objective of the tenancy reform is equally important proof of this since only widespread information can prevent misinterpretation and circumvention. (pp 263-4).

It is clear in the case of Tamil Nadu, that there has only been official discouragement of tenant organisations (they barely exist), and that it is only in government offices or from people directly involved in doing a record of rights in a particular region that one hears about tenancy reform. It is all very hush-hush otherwise. On the whole, one gets the feeling that the government is much afraid of tenants learning about it, since it might lead some of them to unite against the owners.

If the tenants were to unite, it is anyhow doubtful that it would benefit the landless or the small tenants much, because in this area there are too many well-to-do tenants. This is especially true of temple lands, which tend to be given to a number of small peasants and then a few rich farmers or capitalist farmers. (In one village we studied, we knew of one man who cultivated 20 acres of his own land, another 15 for his father-in-law who lived in Madras City, and rented 30 acres from the temple. This 70-acre holding yielded him considerable profit, and enabled him and his family to have quite a high standard of living which included trips to North India by car.) I suspect that, if any kind of tenant organisation were formed in this region, it would end up being dominated by these rich tenants. Even more important, the time for such an organisation is now past. It might have done good before the landlords started to move tenants around so much. But now it would be very easy for most landlords to switch over to 'self-cultivation' (i e, cultivation with permanent or casual labourers).

Conclusion

It is clearly important to learn, in detail, about the workings of social class in each sub-region. In this case, my attempt to establish a classification led to the recognition of factors involving the blurring of class boundaries, which on the one hand represented a methodological difficulty, but on the other led to an understanding of some of the reasons for the lack of a sustained peasant organisation in this area as compared to other such as those described by Beteille in Tanjore. Similar studies of other areas will be needed to determine the general validity of this point.

Such information is important, particularly for the light it sheds on the sources of internal pressure to implement official government policies. It is clear that most of the talk about land reform during the past 25 years, and especially since the 1971 elections, has been viewed as mere rhetoric by most villagers — at least, by those who know about it. Here and there we get protests. Why here and not there? Why has there been more success with the development of labour and tenant organisations in some places than in others? Since many government agencies and many policy-makers as well are concerned with mainly lip-service and votes, it is important to know what internal forces exist that may propel people to exert pressure for implementation. Detailed analyses of social and economic relations on the ground may help to provide some of the important clues.

Notes

[This paper is based on research in Chingleput District of Tamil Nadu at three points of time, 1963, 1966-67, and 1970-71. The research in 1963 was supported by a fellowship from the National Science Foundation, in 1966-67, by a NIMH grant to Columbia University, and in 1970-71 by a NSF grant for a joint Columbia University and Delhi School of Planning and Architecture research project. The views expressed here are solely those of the author.]

1 The other traditional form of land tenure is *zamindari*. It is not discussed here since it only occurred in a few villages in the region under consideration. Furthermore, it is pretty much on the way out now though a few local *zamindars* have managed to keep bringing cases to the Supreme Court in order to postpone the inevitable. Actually, most of the former *zamindars* have not been seriously affected by land reform since they were quick to put land in the names of relatives far and wide, as well as the names of former tenants and servants who are in heavy debt to them.

2 Occasionally a landless family might happen to own a pair of bullocks and a plough. Such a family will command a higher wage when its male members go for ploughing, since they are providing the animals as well as labour. In addition, such a family has a greater chance of obtaining land as on *al-varam* tenant than a family without bullocks.

3 It should be noted that the amounts of land given for this or any other succeeding class are only approximate. Obviously one cannot equate 1 acre of triple-cropped paddy land with 1 acre of dry land used only for groundnuts once a year. For the purpose of the present discussion, I consider the holdings to be about average — neither all dry lands, nor much of triple-cropped land or even double-cropped land.

4 There are usually two to four community development blocks in each taluk. We selected every fourth village for our survey. We actually sent students to 96 villages, but were only able to obtain the land/caste information for 93 villages, since three village accountants were unavailable during the period of the study.

5 It should be noted that 'other' includes a variety of occupations such as: working in a rice mill, making rice cakes for sale, working as an assistant on a bus, commuting to the nearby town, etc. These groups are not discussed in this paper. However, the percentage in this grouping would be lower if we only looked at the four southern taluks which are further from Madras City. One finds in the tract between Chingleput town and Madras that many people commute to Madras City on the electric train, and would be listed as 'other' in the census.

6 The whole question of land ceilings in Chingleput, what they mean, and how people get around them is discussed in detail in the book I am now working on. A brief paper, dealing with this, will also be completed for publication shortly. The original ceiling was 30 standard acres. This was reduced to 15 standard acres in 1972. A standard acre is defined in such a way that it is possible to own up to 60 actual acres and still be within the 15 acre ceiling, even if the household only consists of 5 people.

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Registered Office : Virginia House, 37 Chowringhee, Calcutta-700016.

EXISTING AND PROPOSED ACTIVITIES

The Company was incorporated in India on 24th August, 1910 under the name of The Imperial Tobacco Company of India Limited and has since been carrying on business. The Company was converted into a Public Limited Company in 1954. In the same year the Company shares were listed on the Calcutta Stock Exchange and 10,00,000 Ordinary Shares were acquired by the Indian public. In January, 1970 a further issue of 37,90,000 Ordinary Shares was made bringing Indian public participation to about 25% of the equity capital of the Company.

The Company changed its name in May, 1970 to India Tobacco Company Limited and again in March, 1974 to I.T.C. Limited.

The main business of the Company is the manufacture and sale of cigarettes and smoking tobaccos. The Company is also engaged in the manufacture and sale of printed and packaging materials.

The Company has recently diversified its activities into Marine Products and Hotels. These activities will assist the twin Government objectives of earning foreign exchange and generating additional employment.

The Marine Products Division has had remarkable success in the development of an export market. Exports rose from Rs. 70 lakhs in 1971/72 to Rs. 4.30 crores in 1973/74. The Company has obtained all the necessary Government clearances for the establishment of hotels at AGRA, MADRAS and DELHI. The hotel at Madras is nearing completion under the name and style of "HOTEL CHOLA".

The Company has also entered the field of General Exports and has had considerable success in the export of a wide variety of goods such as paper/board products, myrobalan, leather goods, bicycles and bicycle parts, garments as also cigarettes and manufactured and blended cut tobaccos. The Company is recognised as an eligible Export House.

FUTURE PROSPECTS

The Company has paid an interim dividend of 7% (subject to tax) on Ordinary Shares for the year ended 31st March, 1974. The Directors of the Company had recommended a final dividend of 8% (subject to tax) making a total dividend for the year ended 31st March, 1974 of 15%. In view, however, of the Companies (Temporary Restrictions on Dividends) Ordinance 1974, and the Companies (Temporary Restrictions on Dividends) Amendment Ordinance 1974, the recommendation in respect of a final dividend was withdrawn. The Directors of the Company consider that in the absence of unforeseeable circumstances the turnover and profit of the Company should increase in future years.

SHARE CAPITAL

A. Authorised	
2,50,00,000 Ordinary Shares of Rs. 10/- each	Rs. 25,00,00,000
B. Issued, subscribed and fully paid up	
1,89,50,000 Ordinary Shares of Rs. 10/- each for cash	Rs. 18,95,00,000
C. Present Offer	
28,04,775 Ordinary Shares of Rs. 10/- each (fully paid up)	Rs. 2,80,47,750
D. Out of the Present Offer	
i) 10,08,904 Ordinary Shares of Rs. 10/- each (fully paid up) have been reserved for offer to the employees, Directors, associates and the Life Insurance Corporation of India and the Unit Trust of India.	Rs. 1,00,89,040
ii) 7,95,871 Ordinary Shares of Rs. 10/- each (fully paid up) have been reserved for offer to the shareholders of the Company whose names appeared on the Company's Register of Members at the close of business on 1st August, 1974 in the proportion of one Ordinary Share for every six Ordinary Shares held on that date.	Rs. 79,58,710
E. Now offered for sale for cash and at par to the Indian public 10,00,000 Ordinary Shares of Rs. 10/- each (fully paid up)	**Rs. 1,00,00,000**

TERMS OF THE OFFER

The entire amount of Rs. 10/- per share is payable on application.

OBJECTS OF THE OFFER FOR SALE

With a view to increasing Indian participation in the share capital of I.T.C. Limited from 25% to 40% three overseas shareholders of the Company i.e Tobacco Manufacturers (India) Ltd., 7, Millbank, London, S.W. 1, U.K., Tobacco Investments Ltd., 2, Dean Stanley Street, London, S.W. 1, U.K. and Rothmans International Ltd., Christopher Martin Road, Basildon, Essex, U.K., are disinvesting a part of their respective holdings in the capital of I.T.C. Limited aggregating to 28,04,775 Ordinary Shares of Rs. 10/- each (fully paid up) to the Indian public and others in the manner and to the extent herein mentioned. They have irrevocably constituted and appointed Mr. Ajit Narain Haksar, Mr. Santanu Ray, Mr. Sorab Barjor Aibara and Mr. Ronald Carleton Burns, all of 37 Chowringhee, Calcutta-700016 (any two of them jointly or any one of them severally) as their Attorneys for the sale thereof.

On the successful completion of this Offer for Sale I.T.C. Limited will cease to be a Subsidiary Company of Tobacco Manufacturers (India) Ltd., U.K.

BOARD OF DIRECTORS

1. Ajit Narain Haksar (Chairman)
(Son of late Iqbal Narain Haksar)
24B, Raja Santosh Road, Alipore, Calcutta-700027.
Company Executive
OTHER DIRECTORSHIPS
Governor of Administrative Staff College of India.
Non-executive Chairman of Indian Society of Advertisers Limited.
Governor of Indian Institute of Management, Calcutta.
Director of Industrial Development Bank of India and Reserve Bank of India.
Chairman of the Board of Governors of Indian Institute of Technology, Kharagpur.
Non-executive Chairman of Webstar Limited.

2. Santanu Ray (Vice Chairman)
(Son of late Sudhir Chandra Ray)
9, Fountain Court, 7/1, Little Russell Street, Calcutta-700016.
Company Executive
OTHER DIRECTORSHIPS
Non-executive Chairman of Mining & Allied Machinery Corporation Limited.
Member of Executive Committee of Indian Institute of Foreign Trade.
Member of Executive Committee of Federation of Indian Exports Organisation.

3. Sorab Barjor Aibara (Deputy Chairman)
(Son of Barjor Behramsha Aibara)
10, Ballygunge Park Road, Calcutta-700019.
Company Executive
OTHER DIRECTORSHIPS
Member, Eastern Regional Committee, Employer's Federation of India.
Vice-President, Calcutta Management Association.
Council Member, All India Management Association.
Member of Executive Committee of the Calcutta Youth Self-Employment Centre.

4. Subhendu Kumar Banerjee(Director & Secretary)
(Son of Pramatha Nath Banerjee)
32F, New Road, Alipore, Calcutta-700027.
Company Executive
OTHER DIRECTORSHIPS
Member, Executive Committee of the Trade Mark Owners Association of India.

5. Abhijit Basu(Director) (Son of late Sukumar Basu)
68, Block D, New Alipore, Calcutta-700053
Company Executive
OTHER DIRECTORSHIPS (Nil)

6. Ronald Carleton Burns(Director)
(Son of late Robert Burns)
7, Woodlands Estate, Alipore, Calcutta-700027.
Company Executive
OTHER DIRECTORSHIPS
Governor of The East India Clinic Limited.

7. Samir Ghosh(Director) (Son of late Sukumar Ghosh)
7, Fountain Court, 7/1, Little Russell Street, Calcutta-700016.
Company Executive
OTHER DIRECTORSHIPS (Nil)

8. Raj Monani(Director) (Son of M. G. Monani)
8/1, Alipore Park Road, Calcutta-700027.
Company Executive
OTHER DIRECTORSHIPS (Nil)

9. Pangulury Balarama Krishna Murty(Director)
(Son of Pangulury Sesha Thalpa Sayee)
13, Ballygunge Park Road, Calcutta-700019.
Company Executive
OTHER DIRECTORSHIPS
Director of Mysore Tobacco Company Limited.

10. Jagdish Narain Sapru(Director)
(Son of late Trijugi Narain Sapru)
9A, Belvedere Court, Calcutta-700027.
Company Executive
OTHER DIRECTORSHIPS (Nil)

11. David John Weaver(Director)
(Son of late John Yardley Weaver)
10, Fountain Court, 7/1, Little Russell Street, Calcutta-700016.
Company Executive
OTHER DIRECTORSHIPS
Director of Molins of India Limited.
Chairman, East India Charitable Trust.

AUDITORS

Lovelock & Lewes, 4, Lyons Range, Calcutta-700001.

SOLICITORS TO THE OFFER

Orr, Dignam & Co.,
29, Netaji Subhas Road, Calcutta-700001.

REGISTRARS

Jardine Henderson, Limited,
4, Clive Row, Calcutta-700001.

MANAGERS TO THE OFFER

State Bank of India, Merchant Banking Division,
Madam Cama Road, Post Box 12, Bombay-400001.

BANKERS TO THE OFFER

State Bank of India, 1, Strand Road, Calcutta-700001 or their main offices at BOMBAY, MADRAS, NEW DELHI, AHMEDABAD, COIMBATORE, BANGALORE, CHANDIGARH, BARODA, HYDERABAD, INDORE, JAMSHEDPUR, LUCKNOW, PATNA, POONA

National & Grindlays Bank Limited,
41, Chowringhee, Calcutta-700016 or their main offices at CALCUTTA, BOMBAY, MADRAS, NEW DELHI, AMRITSAR, BANGALORE, COCHIN, DELHI, GAUHATI, HYDERABAD, KANPUR, TUTICORIN.

BROKERS TO THE OFFER

Calcutta Brijnath Khandelwal & Co., Chunilal T. Mehta, G. M. Pyne, M. M. Murarka & Co., N. L. Roy & Co., Place, Siddons & Gough (Pvt.) Ltd., Stewart & Co. **Bombay** Batlivala & Karani, Bhupendra Champaklal Devidas, D. S. Purbhoodas & Co., Dalal and Sons, Dhirajlal Maganlal Purshotamdas, Harkisondas Lukhmidass, Jamnadas Morarjee & Co., L. K. Pandey, Lewis & Jones, Merwanjee Bomanjee Dalal, Porecha Brothers, Prabhudas Lilladhar, Valji Bhimji. **Madras** Chitra & Co., Maconochie & Co., Paterson & Co. **New Delhi** Amritlal Bajaj & Co., Beharilal & Co., Bharat Bhushan & Co., H. P. Mehta & Co., Harbans Singh Mehta & Co., Raja Ram Bhasin & Co., Vinodkumar & Co. **Bangalore** M. Nanjappaiah Jahgirdar, Vijai & Co. **Hyderabad** P. B. Afzalpurkar. **Ahmedabad** Champaklal B. Choksey, Chinubhai Chimanlal Dalal, Laxminarayan N. Gupta & Co. **Indore** Pushkarlal Ghudawala.

HOW TO APPLY

(A) OBTAIN COPIES OF OFFER FOR SALE AND APPLICATION FORMS from any of the Brokers and Bankers mentioned above.

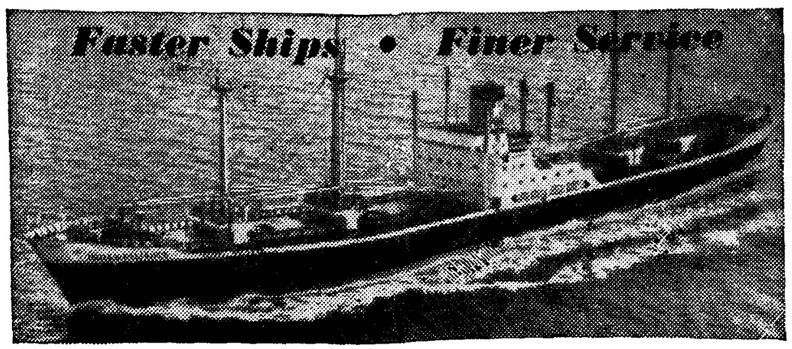
(B) COMPLETE AND SIGN APPLICATION FORM (applications must be for 50 shares or multiples of 50). Deliver applications together with cash or cheque to any branch of the banks mentioned above. Cheques and Drafts should be drawn on banks situated in the town where the application is submitted.

OPENING & CLOSING DATES

Opening Date : Wednesday, 4th September, 1974.
Closing Date : Saturday, 21st September, 1974 or earlier but not earlier than Friday, 6th September, 1974.

The Ordinary Shares of the Company of which the shares offered for sale form a part are listed on the Calcutta and Bombay Stock Exchange.

Managers to the Offer
STATE BANK OF INDIA
Merchant Banking Division



Our fleet of seventeen modern freighters offers fast, regular and dependable service between

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INDIA—BLACK SEA & EASTERN MEDITERRANEAN PORTS
INDIA—POLAND Also around the INDIAN COAST

INDIA STEAMSHIP CO., LTD.
"INDIA STEAMSHIP HOUSE", 21, OLD COURT HOUSE STREET, CALCUTTA-1

FROM THE CHAIR

INDIAN SUGAR MILLS ASSOCIATION

Problems and Prospects of the Sugar Industry

THE following has been adapted from the *Presidential Address of Shri* Pradeep Narang, delivered at the Forty-first Annual General *Meeting of* the Indian Sugar Mills Association held on August 16, 1974:

Besides being an agro-based industry of vital bearing to the millions of cane growers, the sugar industry has now emerged as a large-scale foreign exchange earner for the country. Even if we are able to export 6 lakh tonnes of sugar this year, the industry would be *contributing foreign exchange* of the order of Rs 300 crores, which, perhaps is the highest for any *single commodity*. Besides, the rupee profit to the exchequer is *expected to be of* the order of Rs 170 crores. In the years to come it should be *possible to programme* for an annual export of 10 lakh tonnes. *In this context, there is need* for pragmatic solutions to the problems of *this industry which inhibit production*.

EXCISE REBATE — Due to the unrealistic scheme of excise rebates *announced for the early part* of the season 1973-74, we lost as much as 2 lakh tonnes *output since factories could* not start early. The sugar output in earlier *months of October and November* this season was only 3.20 lakh tonnes as *against 5.10 lakh tonnes achieved* during the preceding season. It is *unfortunate that the Government's* approach in this matter has been purely statistical. *They seem to formulate* their policy based on the previous year's per*formance disregarding completely* the actual conditions obtaining during the season *for which* the scheme is actually formulated. The policy has to be formulated *taking into account* the factor of additional costs incurred both during the *earlier part* of the season and the later hot summer months. If such relevant considerations are ignored, the resultant policy would be only self-defeating and would not yield the desired results.

CREDIT SQUEEZE — *The severe* credit squeeze measures imposed by the banks *under directions* of the Finance Ministry and the Reserve Bank of *India further aggravated the difficulty* of the factories. The credit limits of the factories were pegged at the previous season's drawings disregarding *the higher output* and also the higher costs. Simultaneously, the margins were also increased steeply, on levy sugar from *10 per cent to 15 per cent* and on free sugar from 15 per cent to 25 per *cent. As a result of the* aforesaid measures, there has been a *clear resource gap of about 75 crores* between the actual requirements of the industry and *bank credit allowed* to it. The Reserve Bank of India must realise that the *credit squeeze* has to be selective and not general like the present one, if industries producing essential commodities such as *sugar* are expected to maximise production. Due to the *policy of the Reserve Bank of India*, the factories were unable to maintain prompt cane payments as a result of which there was a heavy diversion of cane to gur and *khandsari and sugar* production suffered.

While planning for increased production it would be *necessary to relax the credit squeeze* measures now imposed on this industry in *common with others*. Here the production is confined to a short period of 4/5 *months while deliveries are staggered* by the Government over a period of 12/14 *months*. *Considering this* peculiar feature of the industry and *the interests of the* cane growers, it is necessary that the present credit curbs *are relaxed in* the interest of increased production as otherwise all our efforts *at augmenting* production *may* prove abortive.

KHANDSARI SPURT — As a direct consequence of *unrealistic and inadequate excise rebates* and severe credit squeeze measures, *there was large-scale* diversion of cane to khandsari and power crushers and *an abnormal increase in khandsari* output has resulted. During the last season *its output, as reported, has suddenly* spurted to over 10 lakh tonnes *representing a 100 per cent increase during* one single year. With proper *policies in regard to crystal sugar and* khandsari sugar, such large-scale diversion *of cane to khandsari could* be checked. For producing additional 5 *lakh tonnes as much* as 70 lakh tonnes of extra sugarcane has been crushed *in khandsari plants*. *If we could* save this cane for sugar factories, the country *would have achieved* an additional sugar output of about 6.30 lakh tonnes. *It is common knowledge that* the process losses in khandsari production are *much higher and as* much as 40 *per cent of the recoverable* sugar is lost in the process itself.

In order to minimise such diversion of cane the present tax disparity between sugar and khandsari should be narrowed down. Even after the last hike in the *compounded* rate of excise duty on khandsari, the effective duty is not *more than* Rs 15/- per quintal on sulphur khandsari and *Rs 11/- per quintal on* ordinary khandsari as against Rs 109/- per quintal of *free sugar. At no time* the disparity was so great. Normally the disparity *should be of the* order of about Rs 50 per quintal only taking the *normal parity in their prices* as against about Rs 100 per quintal existing today.

CANE PRICE — The Government have *yet to announce* the *statutory minimum* cane price for the ensuing season. The present *price of* Rs 8 per quintal linked to a base recovery of 8.5 per *cent was fixed during* 1972. Since then, the prices of agricultural commodities *have* gone up all *round. So is* the case with various inputs specially fertiliser whose price has been *almost* doubled recently. To ensure a steady level *of* cane acreage in factory areas it is essential that the minimum cane price is fixed at a level which assures to growers parity in realisations from *other commodities*. The Sugarcane (Control) Order, 1966, *in* fact, *inter alia* provides that *Government* would fix the statutory minimum cane price keeping in view *the returns to* "the returns to the growers from alternative crops and *the general* trend of prices of agricultural commodities".

LEVY SUGAR PRICES — Closely related to this is the question of de*termination of* a fair levy price for the industry in the absence of which the cane payments are effected which *in* turn impairs the cane supplies to factories. The *experience of* the last season establishes this point beyond any doubt. Taking the actual duration of the season and sugar recoveries and employing the Tariff Commission schedules with permissible cost escalations, the zonal levy prices on an average would compute to be higher by Rs 10/- per *quintal* than what has been actually fixed by Government. In certain regions the *difference would* be as high as Rs 15/- per quintal. The industry which *is provided with a gross* margin of Rs 5.60 per quintal, will not

be able to sustain such heavy losses, specially when all the cost escalations are not taken into account. In effect the entire margin would be completely wiped out and a majority of units would be in the red.

It was hoped that the revised levy prices based on the actual results of the factories and providing for the cost escalations would be announced soon. Within less than 45 days this season would come to a close and hardly any stocks would be left with the mills. Still there is no firm indication when the revised levy prices would be announced. Factories, meanwhile, continue to deliver levy sugar at economical provisional rates.

CANE DEVELOPMENT — No doubt, lasting stability in the industry can be achieved only by accelerating cane development work. It is a happy augury that during the 5th Plan period, Government of India are proposing to give special attention to the development of sugarcane crop. Hitherto, sugarcane has remained a state subject but its development has not made much headway due to paucity of resources. The working group of the Agriculture Ministry has prepared a paper for cane development during the 5th Plan period involving a total outlay of Rs 26.92 crores, which is under active consideration of the Government. While this is a welcome development, the total outlay seems to be low having regard to the magnitude of the problem and the need for developing vast areas and it should be suitably raised.

NEW CAPACITY — The other matter which has a bearing on the lasting stability in the industry is about the creation of new capacity. For the Fifth Plan period, the Planning Commission has fixed the capacity target of 60 lakh tonnes for achieving the sugar output of 57 lakh tonnes. It is doubtful if such an ambitious target could be achieved within the Plan period and there may be a sizeable spill-over to the next Plan. In the present licensing policy, there is undue emphasis on installation of new units while expansions in the existing units have been relegated to a secondary position. A new plant of 1250 tonnes capacity currently cost about Rs 7 crores. The indications are that very soon it will go up to 8 crores. Taking the whole Plan period, it will be safer to assume an average figure of Rs 9 crores. This would amount to a significant strain on the country's resources. Expansions in the existing units admittedly are much less costly and less time consuming. It may therefore be desirable to reverse the apportionment of new capacity between expansions and new units as 60 per cent for expansions and 40 per cent for new units. In fact, expansions should be permitted freely without any licence or restrictions whatsoever. This would render the Plan less costly and capable of speedier implementation.

Further, in the selection of sites for new units adequate consideration should be given to cane requirements of the existing factories as otherwise the capacity utilisation of both the new units and the neighbouring old units suffers. The utilisation of capacity in new units during the past few years has been continuously going down and it was only 60 per cent in 1973-74 season. Half a dozen new units did not work at all. For ensuring optimum capacity utilisation, Government should, before issuing any new licence, give adequate opportunity to the existing neighbouring units to represent their case. There should be a central independent authority to look into this matter.

With a little attention to existing units the sugar output can go up substantially. Larger interests of cane growers also demand that the old units should be helped to expand and modernise. It is, therefore, urged that a revolving fund as recommended by various expert bodies to provide finance to the old units on easy terms for rehabilitation, modernisation and expansion should be created as early as possible.

Poysha Industrial Company Limited

Report for the Year Ending March 1974 and Review by the Chairman, Mr M R Ruia

"INFLATIONARY trend rather than real growth has been the main factor explaining the sales growth from Rs 77.4 million in 1972-73 to Rs 93.3 million in 1973-74" observes Shri M R Ruia, Chairman of Poysha Industrial Company Limited, in his review. This position has dramatically changed in the current year so far. In the first four months (ending July 1974) the sales value has improved by about 70 per cent and the area of tinplate processed (a measure of real growth) by about 25 per cent compared to the corresponding period last year. This pace is likely to be maintained and at the end of the current financial year Poysha expects to reach a sales value of over Rs 135 million.

The Chairman reaffirms the company's confidence in the metal can having to play a key role in the packaging field in India. The technological superiority of tinplate, the experience of the advanced countries establishing the pronounced reliability on tinplate and the vast potential in our country (per capita consumption is 0.3 kg in India as compared to 27.3 kg in the USA and 15.0 kg in the UK) seem to support this belief. It is this philosophy that has promoted the Company to provide to the country the best available can technology through the technical collaboration with American Can Company, USA and plan substantial expansion of operations at Madras and Calcutta in the field of metal cans.

On relative comparison, the tinplate price in India is high (about 128 per cent above the level in the UK) and the level of utilisation of tinplate production capacity is low (about 39 per cent as compared to 80-90 per cent in other major countries). The government also seems to treat metal can as a luxury item. The Chairman feels the need for the government and industry to effect a concerted effort to develop this vital packaging medium.

The metal can is an unusual product, requiring a very high degree of precision and sophisticated technology for mass production. The technical competence demanded is very high and not many can meet this. The potential market for us in India is large with possibilities of exports in beer and beverages packing, processed foods packing and the like where even a fringe of the market has not been exploited so far. Poysha with its technical skill and ability will meet this challenge. Significant increase in sea-food exports during 1973-74 and the performance so far in the current year appear to be the beginning of such a phase.

SUMMARY OF RESULTS FOR

(Rs million)

	1972-73	1973-74
Turnover (Excluding Excise Duty)	77.4	93.3
Gross Profits	5.4	7.7
Net Profits (After Taxes)	1.9	2.8
As a percentage of share capital	11.4	16.8

Note: This does not purport to be a record of the proceedings of the 17th Annual General Meeting of the Company.



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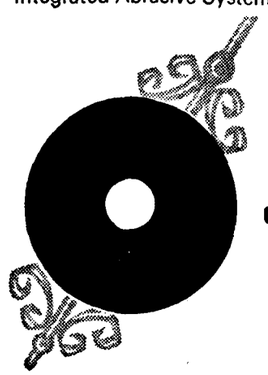
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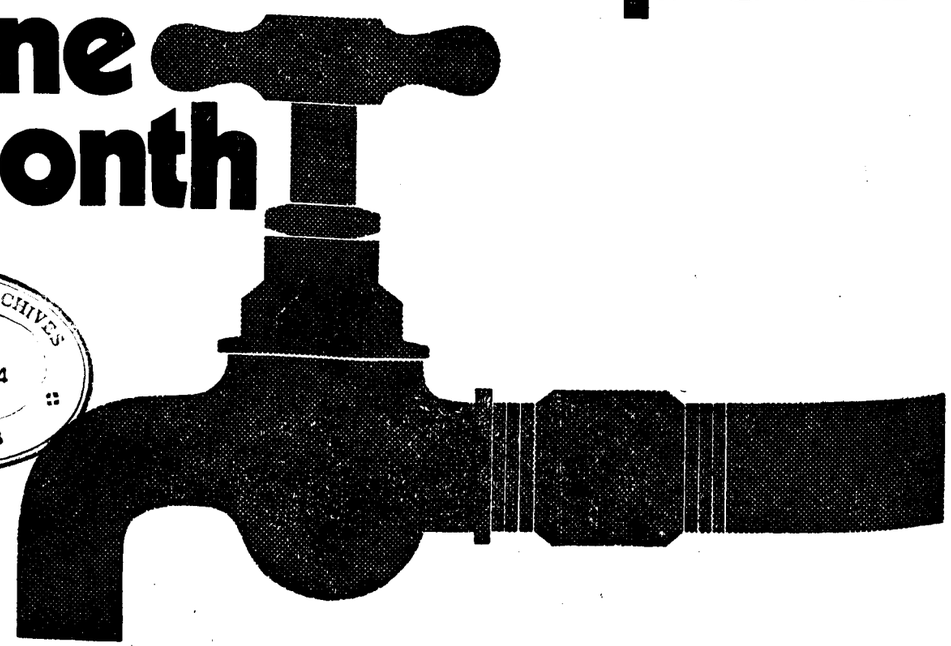
Service-conscious suppliers of basic tools for industry

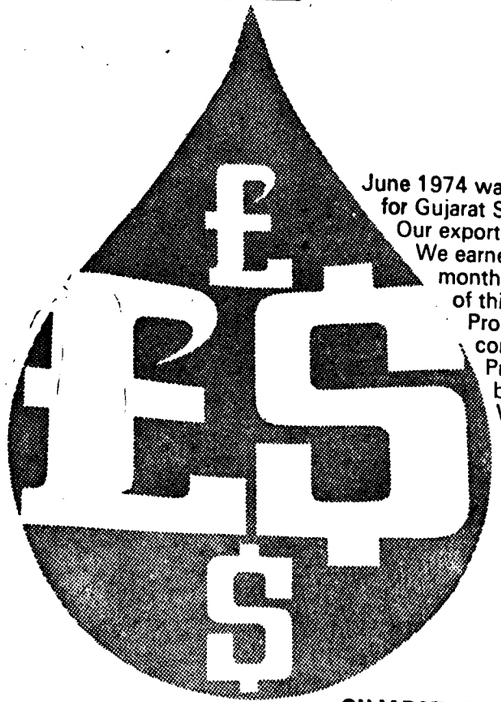
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August 31, 1974 Regd No MH-By/South-325 & Licence No 54

one crore exports in one month





June 1974 was a memorable month
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Our exports reached a new high.
We earned Rupees one crore F.O.B. in a single month. We are naturally proud of this achievement.
Proud because it proves that our product competes with the best in the world.
Proud also because our efforts benefit the whole nation.
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But we are determined.

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ECONOMIC AND POLITICAL WEEKLY

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INDIRECT TAXES AND FIFTH PLAN STRATEGY

REPORT FROM A KHASI VILLAGE

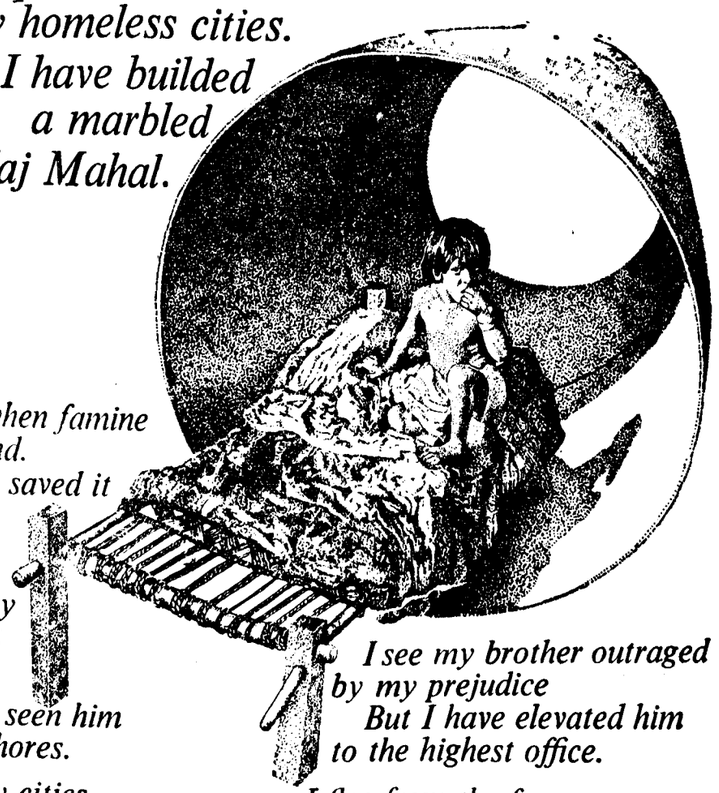
NUCLEAR POWER: HEAVY WATER CONSTRAINT

LOIN CLOTH ON TOO HIGH A PEG

MISA: PLEASURE OF INDEFINITE DETENTION

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.

Ours is a magnificent land. We must build a magnificent future. Think Ahead.

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ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

Vol IX No 37 September 14, 1974

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Muddied Waters

THE Indo-Bangladesh Joint Rivers Commission keeps meeting and adjourning, but the Farakka issue is no nearer solution. True, by itself the dispute over the sharing of the Ganga waters at the point of the Farakka barrage need not be a major disruptor of relations between Bangladesh and this country. The existing arrangements, though not altogether satisfactory from the point of view of either nation, are not altogether intolerable either. They could, therefore, be continued for some more time. But events could take a different turn too. If, for example, as a consequence of Sikkim and other developments, including domestic pressures on Sheikh Mujibur Rahman's government, the Bangladesh government were forced to serve on India notice of dispensation of services, Farakka might provide it with an excellent alibi.

The last time the Prime Ministers of the two countries discussed the issue was in May, in New Delhi. The operative part of their discussions was summed up in the following two paragraphs incorporated in the joint statement issued at the end of the Bangladesh leader's visit:

> "The two Prime Ministers took note of the fact that the Farakka Barrage project would be commissioned before the end of 1974. They recognised that, during the period of minimum flow in the Ganga, there might not be enough water to meet the needs of the Calcutta Port and the full requirements of the two countries ... It was accordingly decided that the best Ganga in the lean months would have to be augmented to meet the requirements of the countries ... It was accordingly decided that the best means of such augmentation through optimum utilisation of the two countries should be studied by the Joint Rivers Commission. The Commission should make suitable recommendations to meet the requirements of both the countries.
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> "It was recognised that it would take some years to give effect to the recommendations of the Commission as accepted by the two governments. In the meantime, the two sides expressed their determination that *before the Farakka project is commissioned*, they would arrive at a mutually acceptable allocation of the water available during the periods of minimum flow in the Ganga" (italics added).

It may be useful to have a brief resume of what the trouble in Farakka is about. In the lean season, the Hooghly — which is the nomenclature for the Ganga downstream in West Bengal — dries up and the port at Calcutta gets immobilised. The Rs 116-crore barrage at Farakka was intended to ensure that the Hooghly received, even at the worst of the dry period, at least 40,000 cusecs of water. At the point of Farakka, the availability of water in the lean season was assumed to be around 55,000 cusecs. After the needs of the Calcutta port were satisfied, 15,000 cusecs would thus have been left for East Bengal. Bangladesh (then East Pakistan) considered this to be scandalously inadequate. The technical aspects of arriving at a modicum of agreement on the equitable sharing of the Ganga waters were discussed in at least eleven official meetings, spread over more than five years when Bangladesh was yet a part of Pakistan. The Joint Rivers Commission, which is really a new format for the continuation of these technical discussions, has in its turn met six times between January 1972 and May of this year. Since the joint declaration of the two Prime Ministers referred to above, it has again met on four different occasions.

The imbroglio, however, remains. If anything, the situation has become still more complicated over the years. Contrary to earlier assessments, the lean season flow instead of being 55,000 cusecs at Farakka — it now transpires — would be 40,000 cusecs, or even less. Thus the available flow of water might not be adequate to meet the needs of even Calcutta port; the task of meeting the full requirements of Bangladesh would, therefore, have to be given up as a hopeless job. Further, this reduced estimate of 40,000 cusecs is itself stated to be on the assumption 'of fair weather'; if the weather turns out to be not so fair, there would be a proportionate shrinkage in availability.

Officials of the JRC adjourned once more about 10 days ago, without reaching any agreement. We are now barely two months away from December, when the Farakka barrage is scheduled to be commissioned and Calcutta port gushingly restored to life. But since the JRC has been unable to agree on the means to augment the supply of shareable water, Bangladesh could quote the operational paragraphs of the joint statement and urge a moratorium on the commissioning of the barrage.

Meanwhile, in their search for ways of augmenting the flow, the eyes of Indian officials might rivet on the Brahmaputra. A suggestion could be obliquely made that a link canal be dug to bring the surplus waters from

that river into the Ganga. The citizenry of Bangladesh — already in no mood to concede Indian *bona fides* — might well be outraged at the suggestion. They could question, in return, Indian doings in the upper reaches of the Ganga. Bangladesh newspapers are currently full of stories about the quantum of water allegedly drained away by the Kosi, Gandak, and Sone projects, and by 34 other major and 107 medium-sized projects further up the same river basin. K L Rao's grandiose dream of linking the Ganga with the Cauvery is, in addition, being frequently referred to as evidence of India's extravagant intentions.

Whether satisfying 'the needs of Calcutta port' should take precedence over meeting 'the full requirements of Bangladesh', or whether it should be the other way round, is hardly a technical issue. Whether the flow of Ganga water is to be augmented by slashing down the claims of the upper riparian projects or by excavating a feeder canal to join with the Brahmaputra, is again a matter not to be decided on the basis of technical considerations alone. These are essentially political questions requiring clearance. 'Donating' Kachchativu and 'placating' Sheikh Abdullah could, from New Delhi's point of view, be good trade-offs for the coup in Gangtok. But Bangladesh's proximity to Sikkim might induce it to hold a different view on the matter. A wrong move on Farakka could thus be taken as evidence of the compounding of a felony. And there will be repercussions. In any case, whatever else might or might not happen, the port of Calcutta is likely to continue to have a lean time.

Monetary Policy

False Alibis

WHEN there is total drift in economic management — and indeed in the general governance of the country — institutions which are a part of the system, however independent these may be supposed to be, are bound to share in the lack of purpose and direction. This is the uppermost impression left by the Reserve Bank's Annual Report for 1973-74, just released. Its assessment of the economic situation and prospects is entirely along the beaten path: the all-too-obvious failure in procurement and distribution of food articles, the shortages of power and transport and the disturbed state of industrial relations are listed; what it has to suggest by way of policies is equally banal — demand curbs, output increases, stern measures to deal with unaccounted incomes and illegal transactions, and limiting future additions to money supply. Interest in the Report is thus reduced to the Reserve Bank's laboured defence of its credit policies.

The Annual Report claims that the setting of a ceiling for credit expansion in the 1973-74 busy season at Rs 600-650 crores was something of an innovation. This is not true; it has been quite common for the Reserve Bank to indicate the probable or desirable level of credit expansion. And, as in the past, the so-called ceiling set for the 1973-74 busy season was no more than a pious hope in that the Reserve Bank had not cared to work out in detail how the actual credit expansion by the commercial banks was to be limited to the prescribed level. Now the Reserve Bank laments that "the internal operational system obtaining in banks had not yet been fully geared to work out a technique of this nature". If this is true — as it is, of course — five years after the nationalisation of the major banks, whose fault is it except the Reserve Bank's? The Annual Report has a further excuse for the failure to restrain credit expansion. It says: "the task was made infinitely more difficult by the extensive list of 'priorities' which the banks, individually or collectively, were required to subserve". But is it not a part of the Reserve Bank's function to set priorities for the banks consistent with its ideas on the permissible level of credit expansion? Or is there a suggestion here that priorities have been foisted on the banks by agencies other than itself — the Ministry of Finance, for instance? But since there is no evidence whatsoever that the Reserve Bank has at all applied itself to the question of priorities in credit dispensation or, if it had any differences on this question, taken up the matter with the government, the reference to the "extensive list" of priorities is simply an attempt to evade responsibility for the runaway credit expansion.

Against the ceiling of Rs 600-650 crores, the actual credit expansion in the 1973-74 busy season was Rs 1,271 crores. According to the Annual Report, the major portion of this expansion arose out of "the requirements of food procurement, exports, public sector undertakings and the priority sector". Only a relatively small part of the credit, it is claimed, went to large industry and trade in the private sector. The Reserve Bank's defence of its credit policy, particularly during the 1973-74 busy season, rests on this questionable claim. The data presented in the Annual Report, possibly specially obtained from the head offices of commercial banks, appear to be unreliable. Credit extended to private large-scale industry and trade by 61 banks, accounting for 98.6 per cent of the total bank credit, was Rs 427 crores. During the same period bills rediscounted with the Reserve Bank was Rs 244 crores, most of which would be for the large industry and trade sector. If this was so, then it is most unlikely that during the entire busy season this sector got only about Rs 183 crores or so of direct credit — or, including the other banks, around Rs 200 crores — compared with over Rs 600 crores in the previous busy season. There are thus strong reasons for suspecting that the head offices of banks are over-reporting credit for the priority sectors. That apart, a substantial part of the credit given to small-scale units and almost the entire credit for exports benefits the large-scale sector of industry.

The Reserve Bank's attempt to explain the expansion of bank credit to large-scale industry and trade in the private sector in the force of virtual stagnation in industrial production is similarly unconvincing. First, most of the increase in output in the capital goods sector, in iron and steel and in fertilisers was on account of the public sector credit to which has been shown separately. Private sector industrial output, on the other hand, was not only stagnant but very likely declined. Likewise, the alleged decline in the ratio of short-term bank borrowings to inventories from 50.6 per cent in 1971-72 to 46.2 per cent in 1972-73 is misleading. First, the Reserve Bank's company finance data have a serious limitation in that companies have different accounting years. In 1972-73, the demand for bank credit was slack upto January 1973 (see "Economic Survey, 1973-74", p 33) and so only those companies which closed their accounts in March 1973 would have shown some increase in credit in that year. Secondly, balance-sheet figures of inventories are in any case largely fictitious. If the Reserve Bank were serious, it would not be difficult for it to gather more reliable data on the inventory build-up in different sectors of the economy. As things are, it is intriguing how the Reserve Bank operates its credit policies and its Credit Authorisation Scheme without detailed studies of inventory levels on at least a quarterly basis.

Significantly, there is no section on credit planning in this year's Annual Report and only a cursory reference to the Credit Authorisation Scheme. We are told by way of clarification of "certain points regarding the Credit Authorisation Schemes" that "the primary credit appraisal of the proposals . . . [is] done by the lending banks". Of course, it is; what one wants to know is what the Reserve Bank is supposed to do. Does it merely duplicate the banks' efforts?

The Annual Report, incidentally, has no data to present on the balance of payments — which is truly shocking considering that the Reserve Bank is the custodian of the country's foreign exchange reserves and is responsible for implementing the new Foreign Exchange Regulation Act!

Nuclear Power

Heavy Water Constraint

IN addition to uranium resources, the availability of heavy water has become an immediate constraint on India's nuclear power programme. Our nuclear power programme for the seventies and early eighties is based on heavy water moderated and cooled natural uranium fuelled reactors. Heavy water, a molecular variant of natural water, occurs in very small quantities in sea water and its recovery is very expensive. It is usually produced synthetically from the byproducts of fertiliser plants. As a moderator in a power reactor, it slows down the neutrons, encouraging nuclear fission; and as a coolant, it is circulated to prevent the fuel from overheating. Without adequate quantities of heavy water for the initial charge and annual replacement, the reactors cannot be operated to full capacity.

When the present reactor technology was chosen in the early sixties, planning was initiated for the heavy water plants at various locations. A plant at Nangal has been operating for quite some time and produces about 11 tonnes of heavy water a year. This plant is, however, expected to close down completely by 1975. The Bhabha Atomic Research Centre has developed the technology of producing heavy water through the hydrogen sulphide-water exchange process. The Kota heavy water plant, based on the BARC technology, was started in 1969 and the original estimate of construction time was four years. However, five years later, the plant is still only half-complete and the commissioning date has now been shifted to 1977. Several technical problems have cropped up in upgrading the laboratory level technology to the commercial scale, causing cost escalation and postponement of the completion date. It is even feared that the plant may never come up finally.

Probably anticipating the Kota plant's failure, all subsequent heavy water plants have been planned almost on a turnkey basis, with substantial foreign technical collaboration. A plant is being put up at Baroda with French collaboration, another at Tuticorin with Japanese collaboration and a third at Talcher with West German collaboration. All these plants are based on the ammonia-hydrogen exchange process and the BARC technology and R and D have been all but forgotten. The Indian participation in these plants is restricted to civil engineering, electrical works, construction of employees' colonies, etc. However, considerable R and D on heavy water still goes on in BARC, even though the possibility of its being used in the next decade is remote.

Even the construction of the imported plants is not going according to schedule. The Baroda plant, started in 1969, was scheduled to be ready in 1973, whereas it is now expected to be completed only by early 1975. The original cost estimates have been exceeded. The Tuticorin and Talcher plants are also behind schedule and are experiencing sharp cost overruns. The investment in these plants, it is currently estimated, will be of the order of Rs 100 crores. All of them taken together are expected to produce 280 tonnes of heavy water a year (around 1978). No other heavy water plant is planned for commissioning till 1984.

Heavy water is required for the Rajasthan, Madras and Narora atomic power plants now being built. All these plants are expected to be in operation by 1982. Each plant consists of two reactors. Each reactor requires about 230 tonnes of heavy water as an initial charge and about 18 tonnes annually to replenish operating losses. The Rajasthan-I reactor which has been commissioned is, however, losing heavy water at a much higher rate.

The estimated requirements of heavy water till 1980 are about 1,000 tonnes. A demand/supply analysis would indicate that in the late seventies there would be a severe shortage of heavy water for 3-4 years, necessitating postponement of construction of power stations. A similar problem was faced in the early seventies when the Soviet Union came to our rescue. Currently negotiations are under way with the USSR and West Germany for the supply of heavy water to tide over the expected shortage. However, in the current international climate, foreign assistance to the Indian nuclear programme is likely to be tardy. Canada has already withdrawn its commitment to supply heavy water to us. The USA is thinking of imposing some restrictions on the supply of enriched uranium for the Tarapur power station. The International Atomic Energy Agency is convening a multinational meeting to ban export of nuclear materials/equipment to countries like India which have not signed the non-proliferation treaty. Besides, the recent British interest in heavy water reactors is likely to push up the price and restrict the availability of heavy water to India even from countries like the USSR. The cost of Indian produced heavy water is around Rs 1,000/kg whereas the import price is around Rs 800/kg. Even this Indian price is full of hidden subsidies, such as in the form of low interest capital.

The heavy water story is yet another instance of unco-ordinated planning and inefficient project management, as a result of which the nuclear plants might well have to pay more for and/or get less than the required quantities of heavy water. The failure of indigenous technology and reliance on imported equipment and plant also reveals the large gaps in our research and development effort in yet another vital area.

Chile

Torture and Economic Anarchy

LAST Wednesday marked a year of military rule in Chile. The year witnessed the limitless obscenities and depravities to which a neo-facist military regime can stoop — all in the name of obliterating the defenceless, non-violent, left-wing idealists who had sought some measure of equity for their society. Even conservative sources within Chile are appalled at the unprovoked extent and intensity of terror and torture which has been used on thousands of Chileans, not to extract information or confessions, but to break any possible whisper of dissent. Torture has become the main instrument of rule in Chile. An International Commission of Jurists mission to Chile reported that "Methods employed have included electric shock, blows, beatings, burning with acid or cigarettes, prolonged standing, prolonged hooding and isolation in solitary confinement, extraction of nails, crushing of testicles, sexual assaults, immersion in water, hanging, simulated executions, insults, threats and compelling attendance at the torture of others." Amnesty International reports

that even little children have been terrorised in order to intimidate their families. In one instance that came to light a nine-year-old girl and a four-year-old boy were tortured to death in front of their parents.

This climate of terror is all that has been achieved during the year of military rule. Even by their own narrow standards, the military rulers have not been able to 'improve' economic conditions. The investment rate is low. And despite frantic attempts to attract foreign investment at any cost, the past year has seen very little investment coming in from abroad. Moreover, the regime has been totally unable or unwilling to conbeen totally unable or unwilling to control inflation which rose by 678.1 per cent during the 12 months till the end of July 1974 — during five weeks of Allende and 47 weeks of General Pinochet. In the 12 months till the end of July 1973, all under Allende, prices had risen by 704.5 per cent. But the difference in those faraway days was that the workers and other poor sections of society were compensated for increased prices by a continuous process of increasing wages and a public distribution system which supplied them essentials like foodstuffs at controlled prices. But now wages are tightly controlled while prices continue to go haywire. Workers who — for the first time in their lives — had got used to eating meat, fruit and other nutritious foods during the Allende years, are now existing on near-starvation diets of bread and beans and tea without sugar.

These are the lucky ones as 12 per cent of the workforce is now unemployed. Many are unemployed due to the economic chaos created by the military regime but about 160,000 have been thrown out of employment for no other reason than that they were suspected to have been vaguely sympathetic to the Popular Unity government. From what has happened in Chile during the past year it becomes apparent that even the worst forms of symbolic socialism — and the Allende government did implement significant measures which were not merely symbolic — are distinguishable from the prolonged brutality and economic chaos let loose by some military regimes.

Stock Market

Great Crash?

THE shadow of 'black July' — the month of dividend control and the hike in the Bank rate — still hangs over the share markets. Share prices are estimated to have declined by 24 per cent on average in July-August. The fall in the prices of what are known as 'popular counters' has been of the order of 20 per cent and, as will be seen from the accompanying Table, their current prices are way below the highs touched earlier in the year. If one goes by the drop in prices, it would appear that there has been a great crash. But has there been one?

For a crash, there has to be an avalanche of selling. Nothing of the sort has happened. First, despite dividend control and the raising of interest rates, there is unlikely to be any large-scale movement from shares to deposits, with banks or companies. After all, one-year deposits with banks fetch just 8 per cent and clean loans to companies for a year 9 to 11 per cent. The loss of liquidity as a result of shifting from shares to deposits would not be worth it at these rates of interest. Any movement away from shares will be checked, additionally, by hopes that once shares hit the bottom prices would improve.

Second, few individual shareholders are likely to be in a hurry to sell. Those with annual incomes of Rs 20,000 and over account for roughly two-thirds of the declared (that is, excluding benami) individual shareholding. Clearly, these shareholders can absorb a temporary decline in dividend income and hold out for better times. Those who hold sizeable chunks of the controlling blocks of companies are even less likely to sell out. Finally, 18 to 20 per cent of the shares of companies are held by financial institutions and 30 to 35 per cent by joint stock companies and these holdings too will not be unloaded.

Why then have share prices crashed? Why have stock exchanges found it necessary to fix floor prices? And why has it not been possible to hold these floors? Clearly, the narrow markets, which are the plaything of two dozen-odd operators, were caught on the wrong foot. There were heavy forward sales in a bull market by the knowledgeable — as was noted in Parliament — just before dividend control. And selling by speculators following the announcement of dividend control gathered momentum with the announcement of the Bank rate hike. Advances against shares are not as small as is made out by the commercial banks, judging from the moans and groans following the rise in the lending rates of banks to around 17 per cent.

The fiscal monetary measures caught market-men on the wrong foot. Maladjustments in accounts and overtrading came into the open. Settlement, initiated by the stock exchange authorities, will take time but will not prove impossible. The system supporting the money-game must go on; therefore, those who have made a killing realise the need to forgo a part of their gains. And there is enough money around for the continuance of the system, including the funds accruing to companies because of the reduction in dividends. These funds are at the disposal of the controlling interests and will undoubtedly be put to good use.

The share markets are a barometer of nothing. In recent years, share prices have risen, not because there was any reason for jubilation over the performance of the economy, but because floating stocks of shares in the market have been limited. Demand for shares has exceeded supply. Just now the markets are down, but the disequilibrium will be corrected as the blessed of this country commence picking up shares at rock bottom prices — Tata Steel is already quoting below face value. This will reduce the floating stock, temporarily bloated by mis-speculation. The present noises of distress merely divert attention from such facts as that the shares of most companies would become pregnant with bonus issues because of dividend control and that the top operators in the market are consolidating their position. This last factor points to a further decline in share prices. By pushing prices further down the operators hope to make a dent into the hard-cover, non-speculative share-holding into the market.

TABLE: PRICES OF SELECTED SHARES

	Sept 4	July 4	1974 High
Bombay Dyeing	49.50	58.50	70
National Rayon	298	368	428
Century	468.50	600.50	648
Tata Steel	75	92.75	108
TELCO	207.50	257	274
Voltas	209	253	257
Scindia	28.60	33.45	35.50
Tata Chemicals	36	44.25	45
NOCIL	295	377	392

Education

Going Under with Nonchalance

IF anything is more ominous than the progressive encroachment by government on individual and collective freedoms, it is the willing — and mindless — acquiescence of the victims of such encroachment. What, for instance, is one to make of the total nonchalance with which the Pro Vice-Chancellor of Delhi University — who is currently acting Chancellor of the University — told a meeting of students on September 2: *viz*, that the Ministry of Education had some time back issued a circular to universities requiring them to obtain government's permission before inviting Indian scholars residing abroad to their institutions? The acting chancellor seemed to imply that what was important was the fact of the circular having been issued some six months ago, so that in a sense no 'fresh' restrictions had been imposed by the Government. All that the Registrar of the Delhi University had done, he went on to explain, was to issue letters to heads of departments asking them to conform to the circular of the Ministry of Education. It evidently did not occur to the acting Chancellor of Delhi University that the Ministry of Education's assumption of power to screen Indian scholars from abroad who were sought to be invited by Indian universities might constitute a highly improper and dangerous exercise of political authority.

The Education Ministry's circular is comprehensive. According to a newspaper report, the circular applies to Indian scholars invited by any university "for a considerable period of time". Thus it could apply not only to scholars invited to give lectures or attend seminars but also, conceivably, to scholars invited to take up short-term or permanent appointments in the universities. The only exceptions that the circular allows for are scholars who are ex-students of a university and who are visiting the university to meet their teachers or colleagues or "just out of a sense of belonging". A diabolic application of the circular therefore could make it possible for the government to virtually prevent the return to the country of any individual scholar who during his stay abroad, has incurred the displeasure of the government here — unless, presumably, that person is prepared to face a span of unemployment on his return and, only after such a span so as to get over his "Indian scholar resident abroad" status, seeks employment in an Indian university.

Quite apart from the very considerable potential for mischief in the Education Ministry's circular, it is preposterous by even liberal standards that the Ministry should seek to control — and that, so surreptitiously, through a letter sent out quietly to the universities — the presence of Indian scholars from abroad at Indian universities. However, what finally puts the lid on this regime's pretensions to liberal practice is the fact that the universities — the so-called strongholds of intellectual independence — should have accepted such imposition without so much as a murmur of protest. Indeed, but for sheer chance, even the existence of the Education Ministry's circular would not have come to light. Obviously, for most of those who control our universities, 'academic independence' and other such high-sounding phrases are to be invoked only when their own individual positions or perquisites are at stake.

The episode of the Education Ministry's circular is significant for another reason. The circular is said to be the government's response to complaints in Parliament that an Indian physicist who had been invited by the Delhi University in October last year to deliver a lecture at the university had allegedly expressed pro-Israeli views. Considering the nature of the complaint, it is very likely that it emanated from so-called 'progressive' quarters in Parliament. But the result has been to provide the government with an excuse to assume powers which should never have been available to it. Thus it is that our parliamentary democracy, ostensibly intended to promote a 'liberal welfare State', provides its rulers with the institutional — and constitutional — wherewithal for snuffing out any such intent.

Calcutta Diary

A M

PLEASE do not lend thy ears to canards: it simply is not true that India can arrange to have her Constitution amended in even less time than it takes to buckle one's shoe. It is not yet quite as good as that. But things have certainly started to look up. You could serve notice of an amendment the previous night; have a quick first reading at 11 o'clock in the morning; then, by dusk, the Constitution amendment bill would have been passed by the Lok Sabha; since the Rajya Sabha would have been kept waiting by a considerate Chairman, within a bare half hour the bill could be sent across; and All-India Radio would be in a position to beam in its evening broadcast the happy tidings of the nation adorning its Constitution with a new amendment.

A love feast is a love feast, and one scarcely needs to go into the substantive matter which occasioned the Thirty-fifth Amendment. When the Minister for External Affairs asserts that the Amendment reflects the inner urgings of the great Indian people and of the equally great people of Sikkim, for God's sake, hold your tongue, and let them love. There must be deeply felt reasons for the decision finalised at breakneck speed on Sikkim, just as there must be reasons for the sudden anxiety to patch up with Sheikh Abdullah in Kashmir. One might in fact have to go a few weeks back and read an integrated meaning in the Government's unusual keenness to hand over Kachchativu to Madame Bandaranaike on a platter. A certain policy of neighbourliness is being put to shape — a policy, the ramifications of which the amiable Sardar from Jullundar is presumably discussing this week with the powers that be in Moscow.

Sikkim is thus part of a whole, and those who have not been told of the whole are in no particular position to pass judgment on the operational significance of the Thirty-fifth Amendment. The dwellers of South Block, it could be argued, are not so foolish as to have not anticipated the reactions of China, or the outbursts of student wrath in Kathmandu, or the Chogyal's last discreet attempts to revive an international interest in his fading fiefdom. If the Government of India has nonetheless ventured to fare forward, the heart, we will be told, has its reasons. Since outsiders are unable to guess what these reasons are, they might as well suspend their prejudices and give the authorities the benefit of the doubt.

But what about the modality of it? Must even minimum norms of decorum be discarded because certain ideas have suddenly bubbled over in some minds about how the country's border could be further secured against would-be conspirators and trouble-makers? Article 338 of the Constitution has, of

course, made the business of amending the Constitution fairly simple. A bill for amending the Constitution can be introduced in either House of Parliament; it has to be passed in each House by a majority of the total membership of the House and by a majority of not less than two-thirds of the members of that House present and voting. Where Centre-state relations are not involved, nothing further needs to be done, and the Constitution stands amended. Given the present docile climate in Parliament — particularly on issues where at one end the Jan Sangh (to tickle its sense of chauvinism) and at the other the CPI (to serve the needs of Soviet policy) would willingly go along with the authorities — passing a Constitution amendment is the easiest of affairs.

Still, there is such a thing as a sense of proportion. To see beyond one's nose may not be a legal requirement, but it has its longer-term uses. The miracle-makers in New Delhi would of course claim that, while hustling the Thirty-fifth Amendment through, they have not breached any of the forms of the Constitution. Is that enough? In a set-up expected to resemble the quintessence of democracy, a Constitution is a sacred body of laws and doctrines; it is not to be treated as a plaything. To amend it ought not to be taken as a casual process. You are not supposed to spring a constitutional amendment upon a tired parliament at the fag end of a long session, ask it to vote its docile two-thirds majority, and quietly go home. The moment you start such a game, you confirm that the democratic procedures are a mere veil. After all, the Constitution — which by itself is inert — can be violated in so many different ways: it can be violated by passing amendments six times during a week, it can be violated by keeping Article 352 permanently in operation, it can also be violated by throwing a copy of it into the fireplace. Once the practice of violating the Constitution catches on others might more consciously perceive that more honest and direct means exist for debauching it, they might simply go outside its ambit and decide to wage a war against the Government establishment under its authority.

Ask no questions and you will get your Padmabhusan. But you cannot always prevent people from asking questions. It had to hurry, the Union Government says, because the Sikkim Assembly had unanimously passed a resolution, which could be ignored. Imagine the recurrence of a situation as in 1967, when the DMK came to a majority in the Tamil Nadu Assembly comparable to what the Sikkim National Congress has now in Gangtok. It was given to the DMK to pass a near-unanimous resolution seeking a dissolution of the state's ties with New Delhi; and the resolution could have been forwarded by the State Chief Minister to either the Home Minister or the Prime Minister. Rest assured, nobody in New Delhi would have rushed an amendment to the Constitution in a fading afternoon of a fading session of Parliament. But it is the context that makes all the difference: For, were the Sikkim Assembly to change its mind and pass another unanimous resolution asking for the repeal of the Thirty-fifth Amendment, it would no longer receive satisfaction.

The point has thus been established that the Indian Constitution is not a scarament, but a convenience, to be deployed in the manner ruling politicians consider best. In the light of this, what 'moral' or 'constitutional' edifice could be built against those who take recourse to gunpower to alter this Constitution?

But to whom should one address these words of admonition? Since you control the media and have the necessary votes in Parliament, you can proclaim sickness as benediction. How you deal with the Constitution also harmonises with the other aspects of your behaviour. The attitude of mind betrayed in the rushing through of the Thirty-fifth Amendment is substantively different from what is reflected in the stonewalling of the proposals that there should be a parliamentary probe into the import licence scandal. It is not the Piloo Modys and the Jotirmoy Bosus and the Madhu Limayes who are lowering parliamentary standards by constantly raking the muck. The lowering is being done by those who are providing the opportunity to these people to rake the muck. By its conduct in Parliament, the Government has convinced each and all that it has lengths and lengths of dirty linen concealed, which it would not like ever to be washed in the open. One can call the Government the filthiest of names; it could not care less. All it is seemingly interested in is that the details of the unsavoury practices it indulges in must not be constitutionally and publicly revealed.

Must one simply say, cry the beloved country? Or at least may a citizen, seeking to behave more responsibly, demand that since extra-constitutional processes may not be espoused there is need among other things to amend the constitutional process itself — beginning with the amendment of Article 368, so that the procedure for changing the articles of the Constitution could be made more onerous? In order to be able to do so, however, a two-thirds majority in each House of Parliament has to be forthcoming, a condition impossible to fulfil in the present political circumstances. In the face of this *reductio ad absurdum*, what word of solace would you offer to our conscience-smitten citizen?

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

Accent on Diversification

Hansavivek

MUKAND IRON is diversifying its activities by establishing a boat-building yard to make deep sea fishing trawlers, which are now mainly imported, in technical collaboration with Artillerous Imesa of Mexico. It has also secured government approval for substantially expanding its capacity to manufacture converters for copper and other non-ferrous metals, scrap processing plants, rolling mill equipment, and spares, components and replacements for steel and metallurgical plants. The company's machine building division has also been diversifying its product-range by making many items of complex industrial machinery from its own designs. Under an agreement with the Fertilizer Corporation of India, designs and knowhow will be available to the company for manufacturing heat exchangers, pressure vessels and related equipment. The division will also make hot rolling mills under a protocol signed with Metallurgical and Engineering Consultants (India), a government of India undertaking, which in turn has technical collaboration with Wean-United of US.

Meanwhile, Mukand continues to render technical assistance to other units in India and abroad in setting up and operating plants for steel making and processing. With agreements signed last year with five companies in India and three abroad, the number of such agreements has risen to 10 in India and five abroad. The company is also entering into agreements with Steel Rolling Mills of Tanzania for providing not only technical assistance and knowhow, but also engineering services to set up and operate a steel plant for manufacture of steel ingots and billets. Mukand will participate in the new equity capital of the Tanzanian company to the tune of about Rs 18 lakhs by capitalisation of a portion of the fee for engineering services (Rs 12 lakhs) and the payment for export of plant and machinery (Rs 6 lakhs). With the change in the government's export policy and increased production of steel bars and rods in the country on account of emergence of a large number of electric furnaces, Mukand is looking forward to benefiting from the increased demand and favourable prices in the world market. As one of the leading exporters of steel when export of bulk quantities was permitted, the company has retained its contacts with the international market through token exports. The company regrets that the long delay in evolving a policy and spelling out the procedures for export have resulted in loss of many

The Week's Companies (Rs in Lakhs)

	Mukand Iron		Andhra Valley		Tata Power		Tata Hydro	
	Latest Year 31-3-74	Last Year 31-3-73	Latest Year 31-3-74	Last Year 31-3-73	Latest Year 31-3-74	Last Year 31-3-73	Latest Year 31-3-74	Last Year 31-3-73
Paid-up capital	538	538	442	442	754	754	353	353
Reserves	654	384	474	454	1149	1111	445	430
Borrowings	1020	1030	937	1003	1573	1660	710	716
of which Term Borrowings	271	300	706	836	1062	1258	451	528
Gross fixed assets	1786	1310	2301	2246	4054	3949	1766	1728
Net fixed assets	1153	895	1492	1522	2786	2805	1169	1192
Investments	45	22	99	98	174	171	110	109
Current liabilities	903	478	541	383	883	642	354	263
Current assets	1917	1514	683	517	1198	947	502	363
Stocks	984	817	208	172	341	277	145	119
Book debts	918	692	469	339	426	601	349	239
Net sales	3074	2567	1936	1506	3165	2491	1307	1014
Other income	82	49	22	24	37	39	41	43
Raw material costs	1190	919	874	565	1456	942	583	377
Wages	487	383	135	123	207	189	102	93
Interest	115	82	80	74	137	125	61	57
Gross profit (+)/loss(—)	418	374	244	197	411	371	180	155
Depreciation provision	86	78	64	64	109	106	47	46
Tax provision	107	145	109	77	179	142	78	60
Net profit (+)/loss(—)	225	151	71	56	123	123	55	49
Development rebate provision	70	9	10	6	15	10	10	5
Transfer to reserves	101	88	9	— 2	10	15	5	4
Dividend								
Amount	E 54	54	P 9 E 43	43	(P 16 E 82	16 82	P 6 E 34	6 34
Rate (per cent)	E 10	10	P 7&9.25 E 13	7&9.25 P 7.50&9.25 13	E 13	7.50&9.25 13	P 7 E 13	7 13
Cover (times)	2.87	2.63	1.21	0.95	1.12	1.20	1.15	1.11
Ratios (per cent)								
Gross profit/sales	13.59	14.57	12.60	13.08	12.98	14.89	13.77	15.28
Net profit/capital employed	10.17	7.73	3.83	2.95	3.54	3.49	3.64	3.27
Inventories/sales	31.78	31.83	10.74	10.42	10.77	11.12	11.09	11.73
Wages/sales	15.84	14.92	6.97	8.17	6.54	7.59	7.80	9.17

months of a favourable international situation.

During 1973-74, Mukand's steel foundry produced 9,429 tonnes against 8,265 tonnes produced during the previous year and the installed capacity of 12,000 tonnes. The foundry now produces heavy castings weighing upto 30 tonnes a piece. The company has in hand an export order worth Rs 36 lakhs for the supply of 220 cast steel bogies to Malaysia. Additional steel making facilities and necessary auxiliary facilities have been set up at the steel plant. Power shortage, shut-down of one of the furnaces for three months and the reduced availability of billets from the main producers notwithstanding, output of bars, rods and wires increased from 102,050 tonnes to 106,593 tonnes. The installed capacity is, however, 212,400 tonnes. Although net sales advanced by about 20 per cent, gross profit lagged behind and rose by less than 12 per cent. Net profit, however, turned out to be about 50 per cent higher than last year's owing to the reduced tax liability. The unchanged 10 per cent distribution, therefore, found a higher earnings cover.

THE TATA HYDEL GROUP's chairman, Naval H Tata, has advocated a crash programme of power generation not only to commission the projects which have spilled over from the Fourth Five-Year Plan, but also to take timely action with regard to those included in the Fifth Plan. Since the target for the Fifth Plan would involve creation of additional generating capacity of about 3,300 MW per annum, he suggests introduction of thermal units of 500 MW. He has commended the Maharashtra government for thinking in terms of units of this size for some of its own plants and also in recommending to the Central government that the Tata electric companies' thermal station at Trombay should have an additional multi-fuel unit. Tata is glad that the Union Ministry of Shipping and Transport has decided to provide bulk transport of coal from the eastern region to the southern and western coasts of India, but points out that the Tata companies' thermal station received only a meagre 70,000 tonnes of coal last year against a promised supply of 1,75,000 tonnes. He, therefore, emphasises the need for a second line of defence in the form of alternate refinery residual fuels. Tata observes that the financial provisions and norms provided in the Electricity Act, 1948, are restrictive in terms of growing demand for electricity. He suggests that there should be ample provisions for servicing of loans and borrowings, ploughing back of earnings for rehabilitation, modernisation and expansion and deferred tax liability arising on modernisation and expansion.

All the three companies, namely, Andhra Valley, Tata Power and Tata Hydro-Electric, have already paid the usual dividends on preference shares and at 5 per cent on equity shares by way of interim distribution. The balance available for further distribution in accordance with the government restrictions on dividends would not be sufficient to pay final dividends at the same rates as last year. Representations have been made through the Federation of Electricity Undertakings of India for suitable relaxation from these restrictions and the managements hope that suitable reliefs would be forthcoming expeditiously so as to remove the hardship caused to shareholders of electricity companies. What has prompted the managements of these companies to expect relief even at such a late stage is the fact that the earnings and profitability of electricity undertakings are already regulated and severely restricted in terms of the provisions of the Electricity (Supply) Act, 1948 and the logic that further restriction of dividends would be "discriminatory" and more onerous for electricity companies than for companies engaged in other industries, which probably could not have been intended by government. With a view to enabling the declaration and payment of such dividends as may be permissible under the law in force at the time of the annual general meetings of these companies, should some relaxation be announced by government before the meetings are held, the directors have recommended final dividends at the same rates as last year. They have clarified, however, that in the event of there being no change in the law relating to restrictions on dividends, only preference shareholders would be entitled to the dividends at the rates specified by them.

ANDHRA VALLEY'S final dividends at last year's rates would require payment of Rs 31 lakhs out of the general reserve, while payment of final dividends at the stipulated rates only on two classes of preference shares would demand less than Rs 5 lakhs. The board has also recommended issue of bonus shares on a one-for-nine basis.

TATA POWER will require an amount of over Rs 53 lakhs to pay final dividend on equity and preference shares at last year's rates. But in case there is no relaxation in the dividend restriction, shareholders would be entitled to final dividend at the stipulated rate on the 7.5 per cent preference shares and at only 3.01 per cent on the 9.25 per cent cumulative redeemable 'A' preference shares which, with the interim already paid, would make a total of 7.63 per cent for the year, leaving a balance of 1.62 per cent remaining unpaid. The directors have also proposed issue of bonus shares on a one-for-five basis.

TATA HYDRO'S final dividends on preference and equity shares at the previous year's rates will require over Rs 24 lakhs. In case, however, there is no change in the law, only preference shareholders would get 2.97 per cent on the 7 per cent preference shares. This would make a total of 6.47 per cent for the year and leave a balance of 0.53 per cent as unpaid. In addition, a bonus issue in the proportion 1.12 has been proposed by the board.

In all the three cases, revenue from power supply increased due to higher fuel adjustment charge and revision of tariffs from January 26 last. The total generation from the companies' resources, both thermal and hydro, was less by 674 MUs due to major repairs being carried out at the Trombay thermal power station. This shortfall was made up by increased purchases from the grid. The cost of power purchased increased due to higher purchases from MSEB and upward revision in tariffs from February last. Although thermal generation was less by 682 MUs, the cost of fuel increased owing to the sharp increase in prices of fuel oil. Both clear profits and distributable profits were lower compared to the previous year. The companies issued new debentures to the public aggregating Rs 4 crores at 8.5 per cent per annum. They propose to place privately with financial institutions further new debentures of Rs 5 crores during the current year. The financial resources raised through these issues will enable them to undertake their programme of rehabilitation and modernisation during the next two years.

Thoughtless Thought, Powerless Power

Romesh Thapar

THE moral conscience, if it can be so described of the Congress party has been roused in a most peculiar manner. Whether the assault is on gold and diamond "hoards" in Bombay, on fake medicines in Uttar Pradesh, or adulteration in the Capital, either the wrong persons are being cornered or almost deliberately the "small fish" are being harassed. There must be some subtle scheming in this careful emphasis of the attack. Petty corruption by petty officials? A cover-up for the operations of the Council of Ministers now surfacing solidly in Parliament? Or could it be just plain stupidity of which we seem to possess an unnecessarily large share?

It is difficult to say. Surely, our Intelligence Bureau, under the benign direction of the Prime Minister's Secretariat, knows of more startling gold and diamond hoards than those which have been uncovered so far? Has the righteous passion of the Health Minister abated now that he knows that large numbers of MPs and MLAs are "sleeping partners" of spurious drug firms — and with the blessings of so many Congress Health Ministers, past and present, in the states? And what's going to happen to catering in this country if everything a hotel or restaurant manager buys is adulterated, and he is arrested for buying it?

Whether it is gold or chilli sauce, the real culprits are going free. Somewhere along the line of power, there is a lunatic on the loose. Or are there regiments of them carefully placed at every level?

I have only mentioned a few of the "stories" that are being splashed in the newspapers. We don't really get the dope on businessmen-donors of the Congress party grabbing government land with impunity, or on the ramifications of thousands of steel licences given to non-existent firms, or on famine and flood relief which never reaches the starving and uprooted. It would be unkind to record the present-day comments on "Garibi Hatao". Whose garibi? The administrative system and the ideological style we have given ourselves are spawning a society which carries the seeds of national destruction. It is here that the attack must be launched.

In other words, the obsession of the ruling elite, and those who contend for its power, with the mess of daily scandals has to end. We must move beyond the wretched people who are fattening themselves at the expense of the State and cut off the sources of their nourishment. It is an operation which calls for real courage and perspective, particularly from those honest elements committed to socialistic theories which have not worked, or which have to be worked differently. The apparent paralysis of thought in India actually marks a slow crystallisation of the alternatives which will be advanced to shatter the corrupt superstructure of a mixed-up socialism built up over the last twenty-five years.

Those inane publicists who imagine that the salvation for India is unchecked free enterprise can only be fought in these days of mounting scarcities by a flexible, intelligent handling of each specific challenge. We are far, very far, from this intelligent state. All manner of extraneous arguments continue to be used to justify non-performance. Not a day passes without this mockery of serious decision-making — and by persons who should be throttled when they hide behind ill-digested socialist theorems. If the ministerial hierarchy is developed in the philosophical state of thoughtless thought, then the Prime Minister and her teeny-weeny, glassy-eyed, overworked, overstretching Secretariat (described now as an "Insect"!) are in the whirlpool of powerless power.

Who will cut the knot that holds this *status quo* together? It has to be a non-*statusquoist*. That is why Jayaprakash Narayan became the focal point of a simmering revolt. The hopes which gathered around him began dissolving as the politicians of the *status quo* flocked to him. JP might still cut the knot, but it doesn't look likely. He is toying with parallel, competitive systems. But where is the time for this slow experimentation. He must confront the administrative and political system frontally. It is from there that the cancer is spreading.

Ironic, isn't it, that when George Fernandes launches his abusive attack on Parliament and the MPs through an article in a weekly, the repository of all power decides not to take notice, for fear that notice will give dear George a chance to perform, unrepentant, within Parliament! Yet, almost the same analysis of Parliament and the MPs was presented by several Opposition speakers even as they denounced the ruling party and the attack in the weekly. Now, I suppose we should prepare for withering attacks on MPs and Parliament. The savage truth is that those who make these attacks are hailed as heroes by the public. Everyone needs to digest this fact, particularly MPs who are intoxicated by absurd notions about their importance.

No one defends the administrative and political system. Yes, no one — except, maybe, some cranks inspired by Anglo-Saxonisms. Inevitably, in such a situation, the system will be broken. Naturally, it is better that someone in power does the breaking. To invite the assault from the unorganised masses is to invite chaos and anarchy. This is the essence of the tragedy facing India. No one from within the system is prepared to begin on the business of breaking it up and restructuring it on a more realistic basis. Indira Gandhi, who once appeared to be so motivated, has lost heart or is caught in a trap of her own making.

In this connection, it is pertinent to note that the outsiders who were brought into the system, even at points of considerable power, failed to assert the need for a fundamental restructuring. They avoided being controversial, and continue to do so. Unless, a commitment to restructuring is made mandatory on those specialists and theoreticians who wish to wield power, we will give birth to little else other than inexperienced *statusquoists*, enjoying the thrill of cynically manipulating a nation of 575 millions. Who is going to forge the mandate ("forge" is an unfortunate word these days, but. . .)?

While all this is in the melting pot, is it possible to get hotted up about the messy handling of the 2 lakh population of Sikkim or the future of Sheikh Abdullah or Bhutto's mercurial moods? The sweep of thoughtless thought and powerless power is widespread. We can only hope that somehow the price spiral will be halted in time to give us one more chance to take considered decisions. We don't deserve it, but then somewhere deep down I know our federal polity can only hold if we impose a firm grip over developing events . . .

September 9

FROM OUR CORRESPONDENTS

MISA

Pleasure of Indefinite Detention

Mohan Ram

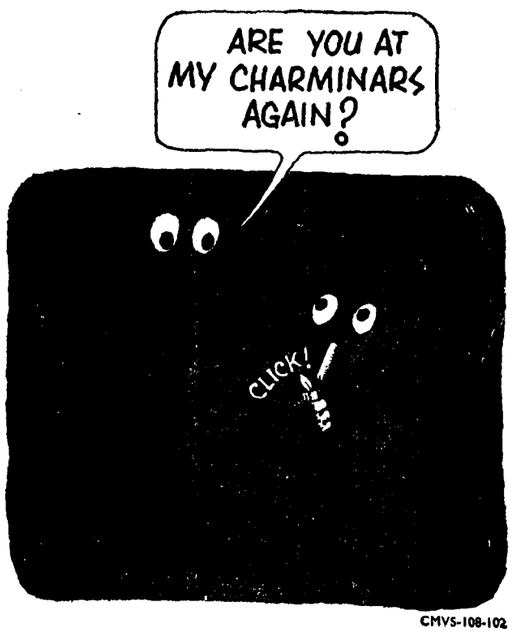
IN its latest judgment involving the Maintenance of Internal Security Act (MISA) the Supreme Court (in Hardhan Saha vs the State of West Bengal and others and Madan Lal Agrawala vs the State of West Bengal and others) held on August 21 that none of the provisions of the MISA violated the Constitution. Individual cases in which authority given to officials under the Act had not been properly exercised or the procedures prescribed had not been correctly followed could, however, be brought to the notice of the courts. The limited parameters of court intervention have thus been defined in the judgment.

Ironically, the petitioners in this case were allegedly involved in economic offences. One of them had been detained under the MISA on the day he was released from prison — to prevent him from hoarding foodgrains. The other, charged with smuggling rice, had been detained within a few days of his release. It is seldom that economic offenders have attracted action under MISA. On the other hand, political prisoners acquitted on one set of charges have all-too-often been rearrested on other charges or under MISA; sometimes those ordered to be released from detention under MISA have been rearrested under MISA just outside the prison or court premises. No risk of contempt of court has attended such actions because it is all within the 'law'.

The two petitioners in the above case had contended that the law of preventive detention was unreasonable and that it, therefore, violated Article 19 of the Constitution; that the law also violated Article 21 because the guarantee of the right to be heard was infringed; that it did not lay down the just procedure or provide the machinery for giving effect to Article 22 (5) which covers liberty and making of representations; and that it violated Article 14 because it permitted discrimination. The petitioners' argument was that MISA did not provide for an objective determination of the facts which were the foundation of a decision to detain a person. The opportunity to make a representation could not be considered reasonable if the order did not disclose the material on which the authority had reached the conclusion that grounds of detention existed. Similarly, the representation could not be reasonable if the detenu had no opportunity to test the truth of the materials relied upon for detention. The act did not define or lay down the standards for the objective assessment of the grounds of detention. Nor did it oblige the government to consider the representation against detention and decide every case of detention on facts and on law against grounds communicated to the detenu.

True, MISA provides for advisory boards to examine cases of detention and all material relating to the detention is to be placed before the boards and the detenus have the opportunity to make representations. But the advisory boards are not obliged to give the grounds for rejecting the representation, which the detenu needs to know to be able to go to court for judicial review in aid of his right of liberty. The order of detention can be passed on acts sought to be prevented and mentioned as grounds of detention but the acts themselves are not defined. The power is so unguided that acts forbidden and acts not forbidden by law are treated alike to be the basis of detention. The detenu is not given the right to be heard on all facts and circumstances and the act does not provide for impartial and judicial consideration of the representation by the government. Finally, it was contended that the act was discriminatory, as under the same set of circumstances some persons were detained, others were prosecuted and still others were both detained and prosecuted.

The Supreme Court has rejected all these contentions. The government has thus received the court's benediction for uninhibited and unfettered use of MISA against those it chooses to detain; merely on the basis of its subjective satisfaction of the need to prevent something real or imaginary from happening. All that the government has to worry about is a few forms and niceties to keep the courts out of the picture. The essential concept of preventive detention, as seen by the Supreme Court, is that of a law the objective of which is not to punish a person for something he has done but to prevent him from doing it. As for the right to be heard, the Supreme Court has held that the representation of a detenu has to be considered by the advisory board which has powers to examine the entire material or call for more material. The board might also call the detenu at his request. The composition of the board (three high court judges or those of similar qualification) is supposed to ensure observance of the fair-play principles of natural justice. But an opportunity of making a representation is not to be equated with an opportunity of oral hearing or hearing before a court and the procedure of judicial trial.



The Supreme Court's philosophy flows from the assumption that preventive detention and prosecution are not synonymous. This is also the philosophy of MISA. The purposes are claimed to be different; the authorities are different; and the nature of the proceedings are different. And so, the argument goes, preventive detention at the pleasure of the executive is perfectly justified. In prosecution an accused is sought to be punished for a past act while in preventive detention the past act (real or imaginary) is merely the material for inference about the future possible conduct.

From the Supreme Court's judgment of August 21, it is clear that

(1) the fact that a detenu is liable to be tried in a criminal court or to be proceeded against for preventing him for committing offences covered under Chapter VIII of CrPC would not by itself bar the government from detaining him under MISA.

(2) the fact that the police arrests a person and later releases him on bail and takes steps to prosecute him under the CrPC and even lodges a First Information Report may not be a bar to an order for detention under the MISA;

(3) where the person is already in prison and is unlikely to be released for a fair length of time, it may be possible to contend that there could be no satisfaction on the part of the detaining authority as to the person acting in a prejudicial manner; however, in the court's view, this again could be a matter of subjective judgment by the advisory board;

(4) the mere circumstance that a detention order is passed while prosecution is pending does not vitiate the order; and

(5) the order of detention is a precautionary measure, based on a reasonable prognosis of the future behaviour of a person based on his past conduct in the light of surrounding circumstances.

The implications are truly frightening. State governments are known to have tried a combination of prosecution and preventive detention to hold its political opponents in continued custody. One is not a bar to the other. One neatly dovetails into the other. Political prisoner A might be prosecuted for alleged prejudicial activities but not detained under the MISA; B may not be prosecuted but may be held under MISA; and C might be prosecuted first and detained under MISA later. Or political prisoner A could be brought under MISA even while the prosecution is on or at the end of it. Similarly, B, while under detention, could be covered by specific criminal charges. This is what has been happening in West Bengal.

The life of MISA being linked to that of the State of Emergency proclaimed in December 1971, each seems to provide the alibi for the other and political opponents of the government and the opponents of the government and the ruling party can be coerced and harassed for indefinite periods by ruthless permutations and combinations of the MISA, the DIR and the normal criminal laws.

India, they say, is the world's largest democracy.

TEXTILES

Loin Cloth on Too High a Peg

THE government has extracted enormous propaganda-mileage out of the so-called controlled cloth scheme. The scheme was designed to ensure that a part of the total output of cotton cloth would be of varieties that are used by the relatively poor and would be sold at prices which they can afford. The scheme has been in existence for almost ten years now. However, considering the scant attention paid to its operational details, it is evident that the government has never been really serious about the scheme.

The proportion of the total production of textiles which is expected to be of the controlled varieties has been progressively reduced by the government. What is worse, the actual production of controlled cloth has been consistently below the levels stipulated under the scheme. These facts are brought out in the 61st Report of the Estimates Committee (1973-74) on the Civil Supplies Organisation of the Ministry of Commerce. When the controlled cloth scheme was first introduced in October 1964, it covered about 50 per cent of total production and the obligations of individual mills were statutorily fixed. However, with effect from January 1, 1967, the proportion of controlled cloth was reduced from 50 to 40 per cent. The scheme was modified again in May 1968, and the controlled proportion of total cloth output was further reduced to about 25 per cent. Actual production of controlled cloth has been consistently far below even these statutory requirements. It declined from 200 mn square metres in the November 1968-January 1969 quarter to as low as 9 mn sq metres in the quarter February-April 1971, or less than 1 per cent of cotton cloth production.

Till June 1971, the obligation on the mills to produce controlled cloth was statutory. However, having allowed the mills to flout the statutory obligation with impunity, the government then agreed to switch to a scheme of voluntary control, under which the industry agreed to produce 100 mn sq metres of controlled cloth per quarter — or less than 10 per cent of total production (compared to 25 per cent under the 1968 scheme, 40 per cent under the 1967 scheme, and 50 per cent under the 1964 scheme). However, except in 1971-72, actual production was far below the voluntary obligation accepted by the industry. In the last quarter of 1973, for instance, it was around 67 mn sq metres against the 100 mn sq metres agreed to under the voluntary control scheme.

Voluntary control having fared no better than the earlier statutory arrangement, the government reverted to statutory control in March this year. With a flourish it announced in Parliament that the obligation on the industry to produce controlled varieties was being stepped up from 400 mn sq metres to 800 mn sq metres. At the same time, the controlled prices were raised by a steep 30 per cent and the retailer's margin was increased from 12.5 per cent to 20 per cent. Also, the penalty for non-fulfilment of the controlled cloth quota was raised from Re 1 to Rs 2.50 per sq metre. However, neither the substitution of statutory for voluntary control nor the steep increase in prices nor the higher penalty for non-production appears to have had an impact on the production and availability of controlled cloth. Against the required production of 200 mn sq metres in the

trolled cloth. Against the required production of 200 mn sq metres in the quarter April-June 1974, actual production is estimated to have been 80-90 mn sq metres.

Under-production of controlled cloth is not the only way in which industry has tried to sabotage the scheme — of course, with the connivance of the government. It has adjustered the variety-wise pattern of production towards similar ends. Thus, of the different varieties of cloth covered by the scheme, the mills have been producing negligible quantities of sarees, dhoties, shirting and drills, and boosting their total outturn of controlled cloth by producing large quantities of longcloth. The objective is very clear: to protect the market for the more expensive, uncontrolled varieties of sarees, shirting, dhoties, and drills, by keeping to the minimum the production of these varities of controlled cloth. According to the National Co-operative Consumers' Federation — one of the agencies charged with the distribution of controlled cloth — the total production of controlled cloth is currently distributed among the different varieties roughly as follows: dhoties 5.8 per cent, sarees 1.4 per cent, shirting 12 per cent, drill 0.2 per cent — and longcloth 80.5 per cent. The powers which the Textile Commissioner has under the new scheme of control to regulate the variety-wise production of controlled cloth have apparently remained on paper.

Adequate arrangements for distribution are crucial to the success of any scheme designed to make available a basic necessity such as cloth at controlled prices. But one finds that the distribution aspect of the controlled cloth scheme has been completely neglected by the government. This is evident from the casual answers given by the officials of the Ministry of Commerce, which is responsible for administering the scheme, to the questions put by the Estimates Committee.

Asked whether any control was being exercised by his Ministry on the distribution machinery to ensure that the controlled cloth was properly distributed, the official's reply was: "I do admit there is responsibility on us. But what I wish to say is that we have entrusted this to fully recognised institutions which are formed under the law and they have got legal status". Further, "The National Co-operative Federation and other co-operative societies should also take it that it is their responsibility to see that proper price is charged. If they also over-charge, what can we do? If such a thing is done, I won't even know of the transaction. It is largely their responsibility. We cannot have a police (*sic*) on every co-operative." The Commerce Mniistry's spokesman also took recourse to the plea that it was the responsibility of the concerned state governments to keep a check on the distribution of controlled cloth and that, if any malpractices were noticed, it was for those governments to take suitable action under the Essential Commodities Act.

The choice of distribution arrangements for controlled cloth appears to have been influenced by the fear that, since the prices of controlled cloth have been fixed relatively low, if it is sold through normal trade channels prices higher than the controlled ones would be charged; in other words, that there would be black-marketing. This has persuaded the government to restrict the distribution of controlled cloth to the following channels: mills' own retail shops, super bazars in the co-operative sector, the National Co-operative Consumer Federation and the chain of co-operative institutions affiliated to it and fair price shops run under the aegis of state governments.

This restriction of the distribution channels has, on the other hand, provided the mills with the occasion to complain that these distributors — whose resources in terms of finances and the number and spread of retail outlets are admittedly limited — are not lifting the controlled cloth produced by the mills. This, in turn, has given the mills the grounds for arguing against larger production of controlled cloth. The government has admitted to the Estimates Committee that the existing channels of distribution "do not have adequate retail outlets to replace the traditional channels and reach the cloth to the weaker sections of society both in the urban and in the remote rural areas". Yet in all the numerous official statements on the scheme, there is no hint that the government is proposing to make the distribution arrangements more effective.

In sum, without the co-operation of the mills, with the government either unable or unwilling to enforce the scheme on them and with distribution arrangements which are wholly unequal to the task of taking the controlled cloth, even if it were available in sufficient quantities and in the required varieties — which it is not — to those for whom it is intended, the much-touted controlled cloth scheme has been a total wash-out.

BIHAR

A Flood of Doubt and Hope

Arvind Narayan Das

THE zest has gone out of JP's programme of "total revolution". The vision which he gave to his young followers that it would be completed within a year has been smashed by reality. The agitation in Bihar is entering its ninth month and JP himself has been at its helm for nearly half a year. Scores of young men have laid down their lives, hundreds are rotting in jail, thousands have sacrificed their careers by boycotting classes and examinations. But price rise, unemployment, corruption — the essential issues they believed they were fighting on — remain. JP carries on and on, but the youth of Bihar have started asking questions.

Till July, when JP addressed a meeting in the Gandhi Maidan in Patna, in spite of torrential rain, thousands flocked there and listened with patience and even reverence. The fact that under his leadership the movement had strayed from its essential objectives to futile demands for Assembly dissolution and self-defeating efforts at *"kaksha-pariksha bahishkar"* ('boycott of classes and examinations'), was forgotten. There was magic still in the sight of the old man, drenched to his skin, thundering against police brutality, calling on the people to unitedly fight against corruption. So the people listened.

Doubts began creeping in when JP started announcing his programmes. After having impressed upon the audience that the people were incapable of putting up positive resistance to police brutality and that they should therefore convince themselves that the only thing they could do was to turn the other cheek, he proceeded to outline a series of 'Days' to be observed: Anti-Repression Day, Revolution Day, People's Independence Day, etc. This is a repetition of the sort of thing that has been going on ever since JP entered the movement: programme after programme of propaganda, but no programme of agitation. Having inspired thousands of students to give up studies, JP called for five thousand amongst them to become "total revolutionaries" by enrolling their names in his Sangharsha Karyalaya. Followed a panegyric about various obscure Sarvodayists, whose role in the movement is known perhaps to JP alone. The militant students who would have volunteered started wondering if the whole movement had not become a recruiting campaign for Sarvodaya. Since they were ony willing to co-operate with the Sarvodayists in a united struggle against the government and its brutal repressive machinery, and could not understand the ideology of Sarvodaya most of them ignored JP's call for volunteers. And since then he has been largely ignored.

Though the large majority of the student-youth section has ignored JP's programmes, piteously small bands of devoted Sarvodayists and even some students who are eager to do something and cannot find another line and leadership, are hoisting flags, holding meetings, observing one 'Day' after another. The most pathetic of these Days was the 'People's Independence Day' on August 15, when the official celebrations were boycotted and little clusters of nationalists bravely tried to wrest the credit for Independence from Congressmen by bravely hoisting the national flag.

And JP has also tried to revive memories of the Independence struggle by trying to stage dharnas on liquor shops. For good measure, he has also added cinema halls to his list of places to be boycotted. Thus, today in a way, the choice in front of the 'lumpenised' students of Bihar is between two national heroes, Jayaprakash Narayan and Shatrughan Sinha. A difficult choice indeed!

However, 'JP's Movement' is only a part of the story of Bihar. Although large numbers of activists have got demoralised, although many have given up, although the leftist forces are badly disorganised, still in several pockets, students and youth, uniting with the broad masses, are carrying on the struggle. In spite of police repression and the administration's blatant siding with the profiteers and black-marketeers, anti-hoarding campaigns are going on. Whenever the students have gone to the countryside, demands of "Land to the Tiller" are being initiated. The slogans are also changing. In many places today the students are shouting, *'jaise jaise hamlaa hoga, waise waise haath uthega*! ('the nature of the repression will determine the nature of resistance).

It would be very wrong to think that the Bihar agitation is finished. What has happened is only that the initial, somewhat unthinking outburst is over. The activists have now finally got down to thinking about what they were fighting for and the manner of their struggle. The plethora of new youth magazines, which are more reflective, self-examining and educative than directly agitational, is evidence of the fact that the struggle continues. For the root causes of the agitation are still present in semi-feudal, non-developing, backward Bihar. All the waters of the flooded Ganga cannot wash those causes away.

THE NORTH-EAST

Report from a Khasi Village

M S Prabhakar

IT rains very heavily on the southern slopes of the Khasi Hills. Mawkyrwat — the village where this correspondent recently spent fifty days — is on these slopes and about fifty miles from Shillong, roughly south-west of it. During my initial days in Mawkyrwat, some people — the educated elite of the village — entertained a suspicion that I was connected with some investigative agency of the state or Central government. After fifty days in the village, I could not fathom why any government agency should want to 'investigate' that place. Nevertheless, the fact that my presence did initially stir such anxieties suggests that 'investigation' of the sort that villagers feel anxious about is not uncommon in this region. I, however, found Mawkyrwat an exceptionally placid, peaceful place; the only unruly element was the heavy rainfall and the weather.

Mawkyrwat is easily accessible by road; private buses ply regularly twice a day, to and from Shillong. The journey takes about four hours. When the rains are very heavy, there are frequent landslides and 'slips', and huge boulders occasionally come hurtling down the hillside and block the way. Traffic tends to be delayed and even disrupted, but the disruption does not last long: I once watched the blasting of a couple of boulders which had rolled down and were blocking the road and lent a hand to clear the debris. The PWD has little to do with these inputs of labour. On the narrow hill road from Shillong there are three 'gates' regulating the inward and outward flow of traffic — one at Mawphlang, about 14 miles south of Shillong, the second at Weiloi, another 16 miles south, and the third at Mawkyrwat itself. Mawkyrwat's altitude is less than that of Shillong; no one was able to tell me precisely what it is, but I should guess it to be over 4,000 feet above sea level. A few miles to the south and west are the peaks of L Sohlamat (5,000 ft) and L Kyllilong (5,127 ft). Though it is lower than Shillong, Mawkyrwat, I am told, has much more severe winters due to harsh winds that blow from all directions in the open hills. The village is not yet electrified, though poles have been planted. The nearest telephone is at Shillong. There is a post office, from where the mail may be collected once or twice a week when the mail is brought in by the runner from Laitmawsiang, about 15 miles away.

Goldsmiths, but No Tea Shops

But Mawkyrwat is not a tiny village by the norms in these areas. It is, in fact, the capital of one of the small states of the Khasi Hills — Maharam Syiemship — and as such is the residence of the Syiem or the chief of the state. (Formerly, the Syiem used to reside in Jakrem, about five miles away.) There are altogether 96 'households' in Mawkyrwat. According to the 1971 Census, the population is 659. There are five modest shops which could pass as grocers and general merchants shops. Prices here are invariably higher than in Shillong from where all the supplies have to be brought. There is no other retail business, though there are many wholesale dealers in potatoes, but they are active only on the bi-weekly bazaar days. There are no regular teashops; but one can get a cup of tea in the kitchen of a couple of houses at 25 p or 30 p per cup, and the tea is specially made for the guest. These are cosy, homely, untidy kitchens, the hosts are very hospitable, and for all the jumble of a home lying around you the china is spotlessly sparkling. Only on bazaar days do the tea shops proper open. There are, surprisingly enough, two goldsmiths — plainsmen from East Bengal — who have small shops; and, I understand, business is brisk. They serve the needs of a larger community than that of Mawkyrwat.

There are in Mawkyrwat about half-a-dozen government or semi-government establishments — the Block Development Office, the PWD, the dispensary, the police outpost, the ME School, and



the little village post office. The total number of salaried employees in the village is a little over 70: about a dozen of these are plainsmen, the rest are all hills people though not all of them are from Mawkyrwat or the neighbouring villages.

The Churches

The composite ME school and high school has about 250 students and 11 teachers. There are also three LP schools — run by the Presbyterians, the Church of God, and the Roman Catholic Mission. In fact, the majority of the residents of the village are Scottish Presbyterians, and a small minority belongs to the Church of God, both of whom have churches in village. Though the Roman Catholic Mission in Mawkyrwat has ambitious plans for expansion of its activities, there are as yet only a very small number of Roman Catholics — less than a dozen households, according to the priest in charge of the Mission. They do not even have a church; a small chapel attached to the Mission ministers to the adherents. There are also a handful of non-Christian Khasis, whose sole mark of separate identity is the fact that they may be seen working on Sundays, whereas the Christians observe the Sabbath most strictly. In fact, the Bazaar, which sits every four days, is put back to a Saturday and put forward to a Monday every seventh and ninth week when it would otherwise fall on a Sunday. Indeed, despite the few non-Christian Khasis in the village, practically all public activity ceases on Sundays and even the bus from Shillong arrives only once and late in the evening.

The residents of Mawkyrwat — like the residents of any other village in India — are primarily agriculturists. But agriculture is a much harder way of life in the hills than on the plains. Even the most prosperous of farmers, with the largest holding of land, can only be described as moderately well-to-do; his lands are in very small plots and are dispersed over a wide area. In and around Mawkyrwat, there is no extended plain surface and the hills have to be constantly cut, terraced, and levelled to get a patch of cultivable land. And this strenuous process is a constant, unending one. No wonder, the people have traditionally never acknowledged the right of any government to levy taxes on the land which generations of them have toiled to claim for cultivation from the hills. Even today it is not clear how the new state is going to raise resources from taxes on land. The soil too is harsh and poor in and around Mawkyrwat, and there is limited scope for multiple cropping. There is no *jhumming;* but neither have the people taken to the plough. The main crops are potatoes (harvested in May-June) and paddy (harvested in November); maize is grown along with the potatoes; and, in the cold season, some sweet potato too is harvested. It is almost impossible to collect any reliable data on the average land holding and the area under different crops.

Apart from the crops grown in Mawkyrwat, everything else has to be brought in from Shillong. Even the rice grown here is not adequate to feed the population. The local rice is a rather coarse, red variety. Much of it is made into the fiery local brew 'kakyat'. Those who can afford it, buy the 'imported' rice — whose price, during my 50-day stay, rose from about Rs 5 a 'kriah' (i e, eight measures of an empty condensed milk tin, or a little over 2 kg) to about Rs 8 a kriah. It was asserted that the price of rice would rise even higher. In fact, during the lean season (August-October), most people would not dream of eating rice every day; they make do with maize and potatoes; and those who cannot afford even these will consume roots and tubers such as colocasia. Fortunately for the people here, beef is easily available. It is considerably cheaper than pork and fowl, which are considered luxury foods. Meat is sold by the portions; it works out to roughly Rs 3 or 4 per kg of beef and Rs 8 to Rs 10 per kg of pork, varying with the quality of beast slaughtered, quality of cut, etc.

On the bazaar days, brisk dealings take place in potatoes — the main crop of this area. One can see people carrying loads of potatoes on their backs from neighbouring villages for sale to the wholesalers in Mawkyrwat. Lorryloads of the crop are constantly carried to Shillong.

Tailoring and 'PWD contracting' are two ancillary occupations of the residents of Mawkyrwat. A considerable quantity of ready-made clothes sold in the bazaar are stitched in the houses of Mawkyrwat. There are a host of contractors and sub-contractors — far in excess of the available 'works' on the roads and culverts maintained by the PWD. But evidently there is money in it. But be they shopkeepers, agriculturists or contractors, the people exhibit a total absence of servility. Not only are there no beggars; but the poorest and the humblest in the village does not behave nor is treated as if he were socially inferior. I witnessed too many incidents, came across too many situations, for this to be merely a romantic 'impression'.

The Bazaars

The Khasi week consists of eight days. The two bazaar days in the week are known as Bada Bazaar and Chota Bazaar. On Bada Bazaar day, all the 400 or so 'stalls' are occupied and many others set out their wares by the side of the narrow mud lanes that criss-cross the bazaar area — perhaps 'illegally', for there is a rent to be paid to a family syndicate which owns the bazaar area. Business is almost as widespread an occupation as is agriculture, but 'business' here is of a very humble kind and often consists of sellers sitting patiently behind their goods whose total value might be less than Rs 10. Most of these 'traders' are from villages nearby; a smaller number is from Mawkyrwat itself. Some of these bring goods from Shillong and sell them at the bazaar: biscuits and bread, textiles and toilet goods, medicines, and other provisions. Betelnut comes from Mawsynram. Pigs and cattle are slaughtered locally; dried fish is imported. Fresh fruits are brought from the 'war' area, about 10 miles southwards. The Mawkyrwat bazaar is at the very core of the village, not merely in that its location is in the heart of the village, but that it constitutes the centre of social, cultural and economic activity. Buying and selling are, undoubtedly, the most important activities during the bazaar day, but hardly less important are the visiting and the fraternising, the watching of a football game in the school field (about a dozen teams from nearby villages have been playing a 'round robin league' for many months now), the convivial drinking and gossiping, and the boy-girl watching. Yet, behind all the merry bustle of the bazaar lies an accepted routine of extreme hardship.

I arrived at Mawkyrwat on a Bada Bazaar day. The bus at Shillong was already loaded far beyond its capacity with people and goods; on the way, we picked up more people as the bus wheezed and creaked along. Of course, the majority of the more than 5,000 visitors to the bazaar had not travelled to Mawkyrwat in overcrowded buses and jeeps. They had walked, as always. Many of them walk for five to six hours from early morning to reach the bazaar around 10 a m. Here is a



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fairly typical portrait of Esther, a woman whose routine on such a day I have pieced together after several conversations with her.

Esther is about 45 years old. She looks older today, though a decade ago, I was told, she looked far younger than her age. She walks barefoot, though otherwise heavily clad in skirt, mantle and cloak. She lives in a village seven miles from Mawkyrwat. On her way to the bazaar in Mawkyrwat she has to climb up and down the path which most times leads up several small summits and is crossed by two streams with no bridges on them so that when the rains are heavy she has to make long detours to find a safe place to cross them. (Last month, on such a day when the rains were heavy, an elderly man on his way back to his village from the bazaar, slipped and fell into one stream and was washed away.) Esther leaves her home at about five in the morning, after a meal of a little rice, smoked beef, a chutney of dry fish, and tea. She carries on her back a long conical basket full of potatoes (about 30 kg), and two bags slung across her shoulder consisting of odds and ends. She also carries an umbrella and the long scoop-like bamboo 'knup' (covering) which offers protection during the heavy rains.

More than a dozen people — all, save two, women — make the trip to the bazaar from that village. With two other women for company Esther leaves ahead of the rest. She is married and has six children; she is already twice grandmother. Her husband is a bit of an idler perhaps — given to drinking and archery and spending whole days fishing without catch — but he is nonetheless quite affectionate and has never deserted her. And when he does work, he works very hard. They have two small plots of land on which they labour, and they are planting sweet potato shoots now in one of them; the other plot already has healthy paddy seedlings on it. None of Esther's children have studied beyond the LP School. None in the family speaks or understands any language but Khasi, though the children constantly hum and whistle Hindi film songs. She will sell the potatoes in the bazaar for between Rs 25 and 27 and she will buy some rice, meat, salt, some small dried fish, a roll of sewing thread, tambool, some tobacco for her husband, and some tea. After her tasks at the bazaar are over, and after she has eaten a plate of rice and meat later in the afternoon, she might be left with Rs 11. At about four, she will start the trek back and hope to reach home before nightfall. The way back is comparatively easy and will take less than three hours as it is more downhill this time. She has to take care, however, not to slip and twist her ankle.

Beyond the Tourist Posters

Hundreds of people like Esther visit the Mawkyrwat bazaar every fourth day. Many travel longer distances, carry heavier loads, and are altogether much worse off than Esther. To visitors they look 'picturesque' as they trudge up and down the paths — especially when, on their way back, they have to carry lighted bamboo staves to guide them along narrow slippery paths, and so appear as little specks of flickering light in the dark distances. Such picturesqueness to others notwithstanding, theirs is a life of unimaginable hardship. Three years ago, this correspondent spent a similar summer in a plains village; life was hard there too; but people did not have to struggle with the same forbidding landscape which the people of the hills have to face all their lives. Of course, most hills people are spared the terrible floods, though. Bitterly cold winters, wet monsoons when the sheets of rain seem to assault you personally from all directions, and winds whose screams are enough to drive the unaccustomed crazy — such are the elements in the hills. For months on end, one seldom sees a patch of blue in the sky; sunlight is only a memory. Most men learn to live with trousers perennially wet from the knee down. All the diseases associated with cold and damp are accepted as facts of life.

The tourist posters about the huntin' and the fishin' and the ridin' and the boatin' and golfin' tell you nothing about the facts of life in these parts. While in Mawkyrwat, I went on a day's outing to a place called Kynoing, about 10 miles south of Mawkyrwat, in the old track to Balat. Before 1947, Kynoing was the traditional exit for the people and goods of this as well as of the 'war' area, as also the traditional hinterland of the Balat and regions to the south and west. It is a rough journey, the roads and paths are especially severe on bare feet, and city men cannot walk even a hundred yards on these paths with the sharp slivers of brittle rock and pebbles strewn all over the roads. The experience has nothing in common with the image of ecstatically running barefoot admist the dew-covered pine needles in the 'woods' of Shillong!

I did not discover any strongly held political views in Mawkyrwat. But the whole area is an opposition stronghold — lost irrevocably to the APHLC, which probably explains the suspicions which my appearance roused among some people. During my stay, people were more interested anyway in a local political fight — the election to the office of the Syiem of the Maharam Syiemship. Two young men of Mawkyrwat were the candidates, and the election — by an electoral college consisting of 63 'Myntris' from the villages under the Maharam Syiemship — was due on July 24. I did not discover much about the functions and powers of the Syiem. The Syiem is regarded highly, but he is very much one of the village. There were no signs of the feudal lord.

There cannot be varieties of poverty; in Mawkyrwat there is harsh poverty. Sharp practice and cunning is undoubtedly there — as abundantly as anywhere else. It is more or less taken for granted that government and public funds are there for milking; but, in individual relationships, there is a peculiar integrity and dignity.

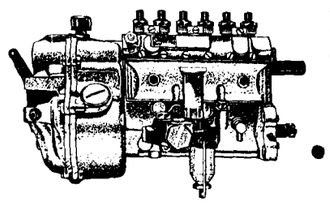
One often hears the complaint that the 'tribals' are lacking in a pan-Indian awareness; that they are not part of the 'mainstream' of national life; that the more educated among them are more aware of events in England and the US than in the rest of India. Let me conclude this personal report with a little incident. During the fifty-day stay I was completely cut off from all news of the world outside of Mawkyrwat. I could have listened to a news broadcast by walking a hundred yards, but somehow I never made the effort. Nobody gave me any news either. But I was fully posted on the progress of the three cricket tests between England and India, despite my repeated assurances that I was not at all interested in the game! At the same time I never seemed far away from Hindi filmi geet, played over ubiquitous transistors or sung and whistled by cowherds. My informants were inconsolable over the results of the Tests; Vividh Bharati was the only restorative. Perhaps, the 'mainstreams' may indeed see in this a hopeful sign: what was lost in the playfields of England is going to be gained in the wonderland of Bombay filmi geet. Surely a most dependable medium of National Integration!

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Labour Value of the Housewife's Work

Wandana Sonalkar

SEVERAL welfare states in the West pay out family allowances. Among them is Britain where since 1949 a weekly sum has been payable by the state to every mother towards the maintenance of her children. This sum is to be collected by the mother and is expected to provide security against irresponsible husbands, especially in low-income families. In 1972, the Conservative government, in the course of a series of measures attacking the income of the low-paid worker, proposed to transform this allowance payable to the mother into a tax credit for the wage-earning member of the family. The proposal was withdrawn following women's demonstrations of protest. The campaign for the continuance of the family allowance was greeted with abuse by many liberal men: "hysterical", they don't undertand the nature of the welfare state", etc. However, the campaign did succeeded in protecting the right to a measure of security for many women in a society where the family structure is slowly disintegrating and leaving them and their children most vulnerable.

This campaign is mentioned because it serves to introduce the attempt, at about this time, to develop an economic analysis of the function of housework in capitalist society. This analysis led to a most invigorating debate within the women's movement and eventually to the first steps towards an extension of the Marxist method to the problems of women. Selma James in Britain and Mariarosa della Costa in Italy examined the working class family and asked the question: what contribution does work done in the home of a worker make to the creation of value in the capitalist economy? Their question is relevant and important. We have seen that the investigation of the contradictions within the bourgeois family had led feminist theorists to a dead end. Also, many women in the movement were beginning to be guiltily aware that working class women had not hitherto played any part in it.

Why was this so? Some tried to do away with the problem by quoting Engels: ... among the proletariat ... all the foundations of classical monogamy are removed. Here, there is a complete absence of all property, for the safeguarding of which, monogamy and male domination were established. Therefore, there is no stimulus whatever here to assert male domination". The quotation is not quite satisfactory as it is clearly observable that there is male domination in the working class family as well as in other families. The wives of many workers do not go out to work and even those who do still bear the major responsibility for housework and child-rearing. These household functions do not bring them into direct confrontation with the capitalist class. The nature of their labour remains private and isolated. And so their political awareness tends to lag behind that of their husbands and their attitudes are prone to the same kind of mystifications as those of their bourgeois sisters.

Unpaid Labour at Home

Proceeding from these bases, James and della Costa set out to define the economic function of housework in the proletarian family. Housework, they argued, is unpaid labour which contributes to the subsistence and productivity of the labourer. Hence, it contributes to the formation of surplus value. Traditional economic theory, serving as it does to obscure the actual social relations between people, does not recognise that value is created in housework. Therefore, in order to make women and the working class aware of the true nature of these relations, the women's movement must put forward the slogan: "Wages for Housework". It must use the method of strikes, i e, the withdrawal of women's labour in the home, in order to press for wages. Such strike action would hit not only at the men who act as agents in propagating the mystifying ideology, but at the capitalist system also.

The argument was a seductive on But attempts to organise the proposed strike action failed. And shortly afterwards, a criticism of this theory was most fully presented in a paper by Jean Gardiner at the Conference of Socialist Economists in London last year. Gardiner argues that in addition to being merely economist the wage demand is based on an incorrect interpretation of the economic role of women's household work. And even if it were possible to organise such a struggle, it would not hit at the capitalist class but at the man in the home.

The work done in the home by the wife of the worker certainly contributes to his standard of living; this becomes clear through comparing the life of the married and the unmarried wage worker. But how exactly does it benefit the man's employer? Merely to assert that it is unpaid labour and therefore contributes to the formation of surplus value does not contribute to understanding the situation. Gardiner uses the analogy of the urban labour force in some West African economies where the labourer employed in capitalist enterprises in the towns, commutes daily from his rural family homestead which provides him with food and his basic necessities. (This may also be the case in some parts of India.) Thus his wage can remain very low. And even that meagre wage is spent mainly on the purchase of manufactured goods. The pre-capitalist sector of the economy thus looks after the subsistence and reproductive needs of the worker and the wage he earns goes back into providing a market for the capitalist sector. This relationship between the capitalist and pre-capitalist sectors helps to keep wages low and s contributes to increasing the rate of exploitation and surplus value.

The West African analogy is instructive in exposing the household as a pre-capitalist 'sector' within the capitalist mode of production. Capitalist laws of value do not operate in this sector. The housewife is not paid a wage. Underemployment in the household manifests itself not only in the fact that much of the housewife's labour is spent on 'unnecessary' tasks, but also in that during periods of near-full employment such as the Western economies have experienced since the Second World War, extra labour is obtained by drawing more women into the working force. But even then female wage labour is usually employed in the most repetitive types of work or work requiring some manual dexterity. These are the lowest-paid jobs and even where legislation for equal pay for equal work has been passed, this division of labour has preserved the role of women's earnings as merely an addition to the housekeeping budget. Thus even where women are employed as wage labour they are relegated to a secondary, 'housekeeping' role. That this division of labour is not the outcome of any biological limitation in women's capacity to work is proved by the fact that during both the World Wars large numbers of women worked perfectly efficiently in traditionally 'male' jobs, including supervisory work. At the end of the Wars, the men's trades unions protested in order to ensure that they would not have to face female competition in their jobs.



To carry the analysis further, the economic basis of sexual discrimination within the family is similar to the contradiction between the urban proletariat and the poor peasant. But to understand this contradiction within the working class family, much more work must be done on the effect of the existence of the reserve army of unemployed female labour on the wages of male workers, on the pattern of employment of women in the labour force, on the special problems of organisation of female workers in industry. Then, perhaps, the women's movement will be able to awaken the working class housewife to her role in the system — a system which exploits both her and her husband. That these problems have been stated and are being faced as the outcome of activity within the women's movement affirms the movement's historical importance.

LONDON

Ulster's Workers Show the Way

Farrukh Dhondy

CRISES don't hang fire. Like firecrackers, once the fuse is lit they fizzle or explode. Northern Ireland is unique in that for five years its crisis has been daily news in Britain. The settlement of the crisis of Ulster will be the settlement of the long-term political problem. It is a war and it isn't. It is a class war and it isn't. Governments have changed hands, a thousand civilians have been killed, almost three hundred soldiers of the British army have been killed, British cities have suffered bombings and this year the Houses of Parliament were bombed for the first time (apart from a stray German bomb during the Second World War) since Guy Fawkes' unsuccessful plot, and the historic Tower of London, a sort of innocuous symbol of tyranny has been damaged by explosion.

More important in political terms than the explosions, the unrest in Ulster has caused the first situation of dual power to exist in Europe since May 1968 in France, and in the British isles since the 1926 General Strike or even perhaps since the days of Cromwell. For two weeks in May and June this year, glorious or not depending on your standpoint, the Ulster Workers' Council took the government and the day-to-day running of the province into its control. It forced the resignation of the power-sharing assembly which was presided over by Brian Faulkner's Unionist Party and forced the British government to take the province under direct control. In Indian terms it would mean something akin to the toppling of a state government by industrial agitation and the declaration of Presidential Rule from Delhi *after* the troops had been sent in and had been found impotent. More than that, the Ulster Workers' Council established it could run by the province by delegating duties to its own networks. It took over the supply of everything — food, power, fuel, orders. It set up barricades and made decisions about who went where and moved an armed wing onto the streets. Apart from withdrawing its labour, it conceived and executed the functions of power. The Protestant housewives ran the distribution and information centres during the strike. The Catholic areas were left to the jurisdiction of the Irish Republican Army (IRA) which organised the movement of fuel and supplies in these areas.

The strike added a new dimension to the politics of Northern Ireland. The least it did was split the bi-partisan front on British policy towards Ulster, and posed for the first time in potent terms the real probability of an independent Ulster. Since 1916, the independence of Northern Ireland has been a theoretical possibility, but has always been opposed by the 'loyalist' and 'Unionist' leadership of the Orange Protestant Order whose interests coincided with those of British capital in the province. Today the question of independence is being posed by an active working class. If the strike proved anything, it proved that workers withdrawing their labour and forming alternative structures of control in support of a political demand are finally in the strongest bargaining position that a state like Britain is susceptible to.

For over 60 years the Irish question has been presented as a dispute between a Protestant majority and a Catholic minority with the Catholic state of (southern) Ireland waiting in the wings. These have been real bargaining divides and have by and large left the working class of Britain apathetic to the question. The bi-partisan policy of co-operation between Labour and Conservative has been facilitated in this climate of opinion. And yet over the last year things have changed. The bi-partisan front has been able to get away with murder, literally. British soldiers have been killed in return and the pain of this the British working class feels acutely. Increasingly there have been desertions from the British forces stationed in Northern Ireland. The troops don't believe in the colonial role they are playing and the withdrawal lobby has gained strength.

In early June when the strike threatened to close the file on the worked out plans of the joint parties, the Conservative opposition was fearful that Harold Wilson's Labour government would succumb to pressure and withdraw the British troops from Ulster. The Labour Left began to voice the view that Ireland must be left to settle the Irish question. What could that mean in real terms? It could have meant a standard manoeuvre of decolonisation: the setting of a firm date for the withdrawal of troops, the release of internees and the creation of representative assembly to make a constitution which would guarantee minority rights, parliamentary rule and capitalism. Classical solutions can come too late. The Tories feared that the solution would not only initially cause a civil war and invite the intervention through Catholic solidarity of the Dublin government, but could later also pose the possibility of class unity between the Protestants and Catholic of the North.

Signs of Unity

Though signs of this potential unity have already emerged, it is by no means certain that the prejudices and fears of hundreds of years will melt away. In the history of Ulster there has been an alliance across class lines between the Protestant working class and the Protestant bourgeoisie which leads the Orange Order and for which the so-called leaders, Ian Paisley and William Craig, speak. The alliance has been partly based on the ownership of Northern Irish textiles by joint local and British capital and the provision of employment, livelihood and preferential treatment for the Protestant population. The post-War expansion of international capital has steadily eroded the material base of this tenuous alliance. The influx of this 'new' capital has brought in the cartels and alternative industry. It has also led to the

search for higher productivity. The British government has promoted the influx of international capital and the passing away of control from the local capitalists and landlords. Southern Ireland has been affected in a parallel way. At the same time, both Northern and Southern Ireland have provided Britain with agricultural products and with immigrant labour for those sectors of the British economy which experience an indigenous labour shortage.

William Whitelaw's White Paper published at the end of 1972 for the Tory government stated that "the economy and the security of Northern and Southern Ireland are interdependent". So far, the two only share road and rail lines and a hydro-electric project. Obviously the White Paper was sketching a future in which capital would create political unity. But it did not mention that it is these same material conditions that may make possible unity between Catholic and Protestant workers and also bring to the forefront the idea of a break from Britain.

No one can claim that this is how the issue is presently seen. For the Protestants, the prospect of independence has so far meant the threat of a takeover by the Pope *via* the Papist South. For the Catholics, their cherished programme has been one of Irish unity based on religion, on race and on culture. Since the partition of Ireland in 1920, the IRA has carried on the battle with the British government and the rule of the Northern Protestants, relying on outlawed Republican organisations in the South to ensure an operational base.

The Protestants have had a rabidly right-wing leadership which has based its public perspective on loyalty to the monarchs of Britain, Union Jack waving, parades and practical discrimination — ingredients of a negatively defined programme. Their forces of terror and control have been largely the forces of their sub-state, the Royal Ulster Constabulary and their own brand of blackshirts, the B Specials. It was only after the awakening of the Catholic civil rights movement with a programme of equality in housing, employment and parliamentary representation, that the Specials were suspended and the various Protestant underground organisations took their place.

Of these the Ulster Volunteer Force (UVF) is the oldest and was responsible this year for bombing cars in the heart of Dublin as a warning to Republican opinion. The Ulster Defence Association (UDA), the larger organisation of the two, has a combination of roles. As well as bombing Catholic pubs and precincts, it has street-by-street organisations with a vaguely defined political platform of Protestant supremacy. Its contact with the rank-and-file Protestant worker gives it the courage of fairly radical convictions which horrify the traditional definers of Protestant supremacy.

The British army offensive has been against the IRA, leaving the terrorists of the Protestant community largely alone. With the proliferation of organisations, political and military, the policy of British governments has been that of the pony soldiers of the wild West towards the Red Indians: "Wait till the dust settles and negotiate with the one who is left standing". Publicly the British governments have championed those formations they choose to call the "moderates". Amongst the Protestants, the Unionist Party of Brian Faulkner was entrusted with the leadership of the power-sharing coalition which the Tory government dreamt up. It shared power with the Catholic Social Democratic and Labour Party (SDLP), known in Catholic areas as "Stoop Down Lower Please".

Ineffective Formula

The coalition's overall brief was to work out the procedures of power-sharing, and it was to be given executive powers after it had formulated a mutually acceptable way of including itself and the Dublin government in a Council of Ireland. The formula was supposed to satisfy the Catholic demand for unity with the South and give the Protestants an executive majority in the North at the same time. This eventually ineffective compromise was worked out at Sunningdale and came to be known by that name.

The very process which made politicians acceptable around the Sunningdale table, began their process of alienation from those they were supposed to represent. The IRA came out firmly against any such agreement and so did the UVF and the UDA. In the subsequent election to Westminster in February this year, the Sunningdale formation of parties suffered severe defeat — warning enough of the mood of the population.

Resistance to Sunningdale finally came to a head in May. The Ulster Workers' Council was the full-grown child of this resistance. It came into being through the so-called 'spontaneous' process which theoreticians are so sceptical about. It was totally independent of the trade union leadership of Northern Ireland even though many of its leaders had experience of championing the cause of labour. The newly aligned shop-floor and community forces found their way to new possibilities. The workers of Ulster in the power stations, in the docks, in transport and in the mills, stopped work. Each county community provided three members to an executive which came together on an *ad hoc* basis to run the strike. As a gesture to the old Orange Order, the traditional leaders were given representation but not control on the Council as they scrambled to jump onto the fast moving band-wagon.

The province was paralysed. Harold Wilson declined to use his troops in Ulster to break the strike and risk the armed conflict that was bound to follow. Instead, he appeared on nation-wide television to challenge the strikers and their authority. Earlier he had sent in Len Murray, boss of the British Trades Union Council, to lead a march to call off the strike. Murray was stoned by women and children on the streets of Belfast. Wilson then gave in and Brian Faulkner's coalition resigned.

The strikers had won and their leaders spelt out what they had won. "We used to be so predictable", said Andy Tyrie, a UDA politician, "We could see ourselves coming — the big parade, beat the drum, knock a few people about and then back again. Now I have introduced new tactics, avoiding conflict and shifting the barricades about till the army is exhausted. We've made a bloodless revolution, the types who want to kill everyone and burn everything are out". That is the voice of confidence, a new voice in Ulster. It speaks of *detente* with the IRA, of a new party of the labouring classes in Ulster which could unite the Catholics and Protestants as a class against the old style Unionist politicians. It has been said that the Algerian *pieds noirs* spoke in the same tones, but the Ulster workers make up a majority in their province and have an acute awareness of how much blood the 'religious' leadership has cost them. More than that, the IRA has been the strike for what it is — a manifestation of real power, and one it is willing to make an alliance with.

At a stroke the Ulster workers have given a rebuff to years of domination by the British state and have given birth to the tactics of workers' power and snatched the initiative from the dead-end politics of the Protestant right. The British government and pundits say they are still looking for a recipe for the future of Ireland. They had best look now, as do the people of Ulster, to the soup-kitchens of community power.

By Privilege Possessed

Nireekshak

UNDER the rules of the game as laid down in Erskine May's "Parliamentary Practice," privilege like truth is a matter to be established by sheer weight of numbers — if the ruling party so wills. Call it a one-time exception, but George Fernandes, the Chairman of the Socialist Party and a former MP himself, could get away with that article in his Hindi weekly *Pratipaksh*. The tabloid, published from New Delhi, had insinuated that the Lok Sabha consisted of "thieves, dalals and frauds" and the House had been converted into "something like a brothel". It had also said that the Congress MPs who had denied the genuineness of their alleged signatures on a memorandum which touched off the Pondicherry import licence scandal were liars; that these signatures had been manipulated by the then Foreign Trade Minister, L N Mishra; and that the Prime Minister was the prime source of all corruption in the government.

One does not know if George Fernandes would consider himself lucky because the ruling party opposed reference of the issue to the Privileges Committee. In the Rajya Sabha the Congress party took the peculiar position that while *Pratipaksh* had committed gross contempt of parliament, MPs should content themselves with a resolution censuring the weekly. In the Lok Sabha, Piloo Mody succeeded in forcing a full-fledged discussion on his privilege motion. At the earlier stages, Congress members supported it but when the Parliamentary Affairs Minister, K Raghuramiah, said the government was opposing it, the situation changed abruptly.

In the past, there has been only one instance of an editor being summoned to be censured at the bar of the House and for far less objectionable writing. About 14 years ago, a story in *Blitz* had deliberately distorted the spelling of J B Kripalani's name as "Kripaloony" and had described his attack on the then Defence Minister, V K Krishna Menon, as the performance of a "bazar buffoon". For the first time a 'bar' was set up so that editor R K Karanjia could be admonished by the Speaker following the verdict of the Privileges Committee and the editor's refusal to apologise. Parliament has been very zealous of its privileges, especially *vis-a-vis* the press and though many issues involving the press have gone to the Committee or have been raised in the House, the Karanjia episode has not been re-enacted.

It would be a healthy convention not to raise privilege issues with regard to the veracity of reports on parliament's proceedings. Often the misreporting is unintentional. And moreover, no serious journalist would like to misreport proceedings intentionally because that would cost him his professional credibility. The usual practice has been for the Speaker to write to the editor about an inaccurate report and normally the editor expresses regret the moment the inaccuracy is brought to his notice. Almost always, the editor owns up responsibility for the inaccuracy originating in the reporter's copy or at the desk when it is being translated or edited. But there was one instance of questionable professional conduct by the then Delhi editor of *Indian Express* who said in a letter to the Speaker that the sub-editor concerned had been "pulled up" for his lapse. What happens inside a newspaper office is not a matter to be reported to the Speaker because professional ethics demand that the editor should bear the responsibility for what has appeared in the paper.

Privilege issues arising out of comment are undoubtedly of a more serious nature and are often justified. But then how did George Fernandes emerge unscathed in spite of what many members in both the Houses described as scurrilous writing? When Piloo Mody raised the privilege issue, the opposition was building up a case for enlarging any Privileges Committee investigation into a larger probe into the licence scandal. The opposition had failed to find an opening though it had tried all possible means including a motion of privilege against the Prime Minister for alleged coercion of party MPs not to press for a parliamentary probe into the scandal. Since the *Pratipaksh* article related to the scandal, the Opposition wanted the Privileges Committee to go into the entire gamut of the scandal in the process of examining the privilege issue against the weekly. Madhu Limaye's amendment to the motion suggested that all papers relating to the scandal should be brought under the custody of the House. This would mean that the CBI would be barred from going ahead with the investigation which the government seemed to have ordered surreptitiously when the Speaker had not yet given his ruling on the demand for an inquiry by a House committee. Hiren Mukherji of the CPI even suggested two parallel inquiries — one by the Privileges Committee against the weekly and another by a House committee into the licence scandal.

While many Congress members were enthusiastic in their demand for referring the *Pratipaksh* issue to the Privileges Committee, the party leadership seemed to have realised rather belatedly that such a course would mean virtual acceptance of a parliamentary probe into the scandal. After the initial confusion and hesitation the government decided to oppose the demand. In the course of the discussion, Congress spokesmen alleged that the *Pratipaksh* writing was part of a conspiracy between Piloo Mody and George Fernandes to exploit the licence scandal for political ends. The charge of "political motivation" frequently made by the Congress members in parliament sticks ill because all politics is motivated and "political motivation", if anything, is a redundant phrase. It was pathetic to watch the Congress members swallow all those choice epithets hurled at them in the course of the debate; loyalty to the party and the leader was supreme and such things had to be put up with. An inquiry into the scandal in any form had to be thwarted and this the Congress members did, though rather inelegantly.

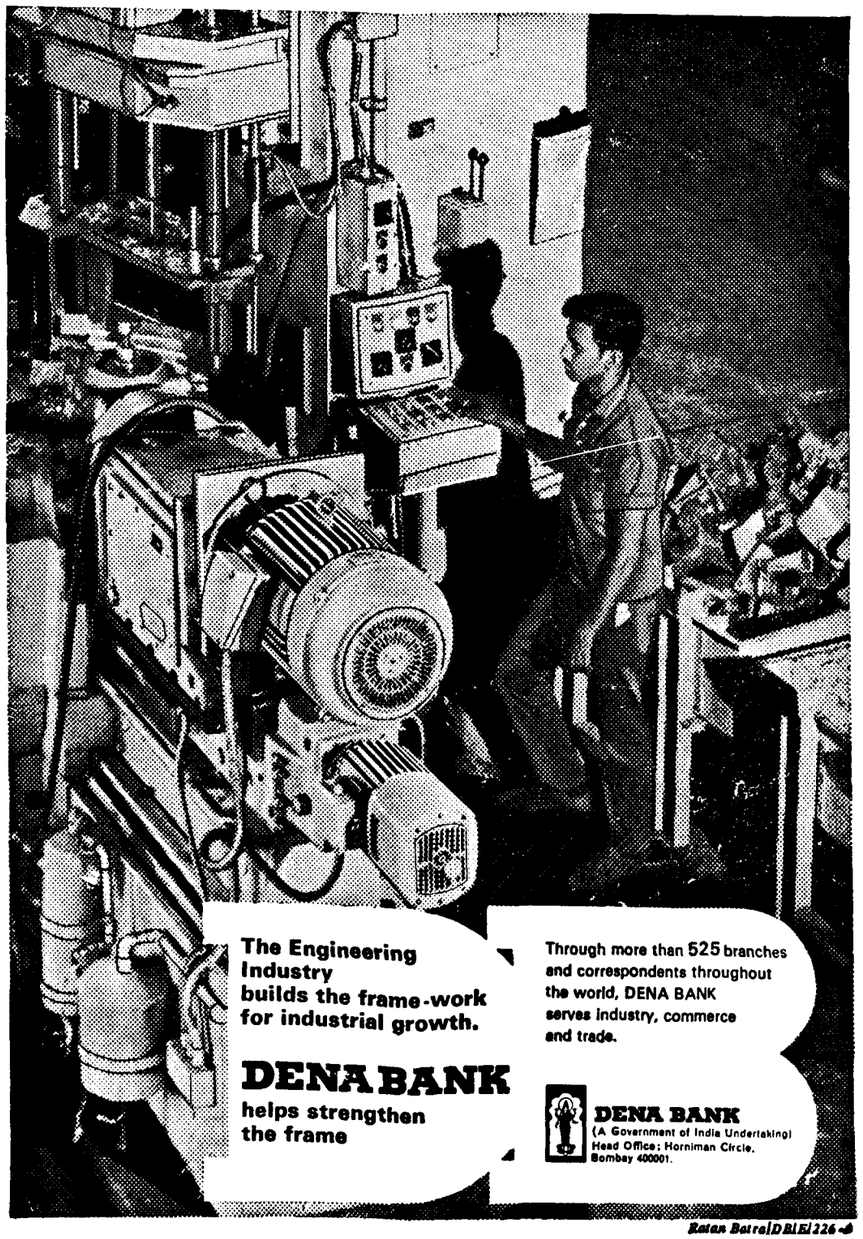
What the Congress lacked in moral strength could easily be made up with the party's numerical strength. Righteous denunciation of the "scurrilous writing", together with the lofty counsel that it should be ignored with the contempt it deserved, rendered the whole issue innocuous. That was what became of parliamentary privilege so zealously guarded in the past. What *Pratipaksh* wrote will remain in parliament's records forever and be quoted with immunity in the future while similar things if said again by anyone outside might attract privilege. Strange are the ways of the parliamentary system with the Congress in power.

The Congress party which chose to be soft on *Pratipaksh* is no particular friend of the press that is critical of its ways. It is not mere coincidence

that the three state governments — Haryana, Bihar and Punjab — which have been waging a relentless guerilla war on the "unfriendly" press happen to be run by the Congress party. The Haryana government has ignored the Press Council's censure and did not so much as appear before it in the *Tribune* case. The Bihar government has not only de-listed *Searchlight* and *Pradeep*, but has now ordered that bills for advertisements in the pre-delisting period should not be paid. By withholding payment of bills adding up to Rs 10 lakhs the Ghafoor government is playing off its political vendetta against the papers.

In Punjab, *Hind Samachar* and *Punjab Kesari* continue to be delisted despite the government's debacle in court over its crude attempt to cut off electricity supplies for their presses and to put pressure on other printers not to print the two dailies. The Punjab government's wrath can be traced to the exposure by these papers of pressure and patronage used by it to make the notorious August 9 Youth Congress rally in Delhi a dubious success.

On the eve of the debate in parliament to ratify the ordinance extending the life of the Press Council pending modification of the procedure for its reconstitution, Information Minister Inder Gujral inspired a panel discussion on Delhi TV, featuring among others, N Rajagopala Ayyangar, the Chairman of the Press Council. From what Ayyangar said, the Council was helpless when the state governments chose to defy it and refused to recognise its moral authority. In most cases, the problem is the decision of a state government to stop advertisement patronage to unfriendly papers. Yet Inder Gujral would not like to give 'teeth' to the Press Council and would like it to be a decorative piece owing its existence to government funds.



History and Sociology: A Successless Intercourse

C S

History and Social Development; Vol I: Elites in Modern India by B M Bhatia; Vikas Publishing House, Delhi, 1973; pp xiii + 384; Rs 45.

CONSIDERING the amount of painstaking research that has obviously gone into this work, one feels a certain compassionate constraint in describing it as confused and unduly ambitious. 'Know thy mind' — put in a variety of jargon — continues to be one of the fashionable dicta of historiography. It is intriguing, therefore, that the author, who set out on a theoretical interpretation of modern Indian history, did not pause to ask himself whether he possessed the requisite subtlety perception and logical rigour.

Bhatia is unhappy with historical materialism as a framework for explaining historical development. He finds it monocausal. He also thinks that, since historical materialism is informed with a specific philosophy of history, it tends to result in the fitting of facts into a pre-fabricated mould. And yet, on both these counts, the kind of exercise he is undertaking can be *mutatis mutandis* found wanting: Thus, not only is the theory of power elite incapable of permitting multi-causal explanations, it can easily induce the fitting of facts into a given mould.

Bhatia also says that history is not one long continuum; it is a series of continua, each continuum having its own special features. But explanations emanating from the theory of power elite hold for the entire course of human history. Mosca is approvingly and unquestioningly quoted. Then, in almost the same breath, we are told: "A general covering law of history for the entire period of evolution of human society on earth, in the very nature of things, is simply inconceivable". What does Bhatia actually believe? Only if one had the power to divine!

Before coming to Bhatia's actual 'interpretation' of Indian social development during the 190 years between 1757 and 1947, it may be pointed out that, while applying the power elite theory to modern Indian history, he has used terms without clarity. He does not, for instance, distinguish between 'power' and 'pre-eminence'; for him they are synonymous. Nor does he care to distinguish between 'power' and 'authority'; yet this distinction could have exposed the serious limitations of the theory of power for explaining the dynamics of a traditional society such as India's with its strong sense of community. The result has been that, while Bhatia has been able to put forward a partial — and often defective — explanation of change during the 190 years under study, he has completely ignored the continuity in the same period.

Bhatia's Position

The position taken by Bhatia may be best stated in his own words: "Indian history is studied more realistically and meaningfully in the conceptual framework of the elite approach and power theory of history rather than in that of the historical materialism of Karl Marx. In fact, the Indian experience, if anything, provides a refutation of the Marxian formulation on history as a doctrine of universal validity". But approach is obviously different from theory. Elite approach simply implies that study of elite action and role provides a vantage point for looking at the march of history; but it does not constitute an *explanation* of what happens in history. It is for theory to perform that function. (And this theory, one may add, is provided by power.)

Unless one is to take a dogmatic, Adlerian, position — which, incidentally, Bhatia is not doing since he has not once mentioned Adler's name in his text though he does go back to Hobbes and Mandeville in the 17th century — it is difficult to see how material self-interest can be ignored as a motivating force, at least during the early phases of social development in a colonial situation. For material self-interest not only provides the initial impetus for the formation of groups — call them elite groups, political groups, pressure groups, or what you like — but it also brings in the gradual discovery of the basic irreconcilability between the interests of the rulers and the ruled. But the further fact to be discovered is that even the interests of the ruled are often not homogeneous, and they generate internal tensions and rivalries. This, together with the slow pace of realisation about the basic irreconcilability between interests of rulers and ruled, explains the existence of groups whose support the colonial rulers are almost always able to enlist. Herein lies the validity of the competition/collaboration model.

Now, all these developments cannot be explained exclusively within the framework of the power theory. What appears on the surface is only a fragment of the historical reality. The tussle for power among groups may be seen by a historian only at the obvious level of a tussle for power.

But another historian may also decide to discern the roots of what, on surface, appears to be a mere tussle for power. And that might take him to the conclusion that the tussle for power is but a means to achieve a particular end. In other words, pursuit of self-interest may be — and often is — an end in itself. Having been successfully pursued, it may create an urge for power. More often than not, direct pursuit of power or indirect manipulation of it are only the means to facilitate promotion of self-interest. It is, however, possible for people to pursue power *per se*.

That Bhatia is too obsessed with the universality of the power theory, is clear from his insistence on presenting the anti-Brahmin movement in the South merely as the result of the pursuit of power by a non-Brahmin elite. And this he does in spite of his own admission that, "the whole non-Brahmin movement was built on the foundation of the prevailing widespread anti-Brahmin sentiment in the presidency resulting from the social oppression of lower castes by high caste Brahmins". The manifestation of certain forces is more important to him than the complex working of the forces themselves. Thus, what remains significant in the anti-Brahmin movement, according to him, is that "behind the communal facade lay in this case, as in similar others, the striving for its own power on the part of the non-Brahmin elite".

The trouble with Bhatia is that he

is neither consistent nor clear. He accepts Mosca's division of society into the ruling class and the rest, and looks only upon the ruling class as constituting the elite. If this is so, it is absurd to talk of an Indian elite during the 190 years of British rule. Or, does this also need elaboration? In fact, there are Marxian historians who have argued that it is indeed unhistorical to talk of an indigenous elite in a colonial society. This assertion stems from the theoretically unjustifiable restriction of the concept of 'elite' to the 'government elite'.

Be that as it may, if Bhatia wants to apply the elite approach to the study of 'British Indian' history, he has to move away from this simplistic dichotomy between the ruling class and the rest. For, as any sociologist will readily agree, to conceive of the ruling class as a homogeneous unit and the rest as an undifferentiated single mass, is functionally of doubtful value. And, any historian will readily concede that, this is historically suspect. The French society on the eve of the 1789 Revolution offers an instructive illustration. So far as Indian society is concerned, with its strong traditions of almost autonomous communal life which political authority could only rarely and marginally affect, the ruling-class-and-rest dichotomy neither corresponds to actual reality nor provides a theoretical model to explain it.

From Bhatia's use of the term 'elite' one learns nothing about the sense in which it is being used. But it is revealing that most of the time he is talking of *an elite* and not of *elites*. This, in conjunction with his acceptance of two unities in society, goes pretty far to explain how he could make the wild statement that the modern Indian elite performed a modernising role in the country's development. He cannot see the simple fact that *elites* in modern India have not been *necessarily* modernist in outlook and that they have also performed other than modernist roles. Whatever the facts of modern Indian history may have been, they do not justify Bhatia's comment: "The modern elite also lent active support to the British administration in the enactment of social reform measures — such as prohibition of the inhuman practices of *sati* and female infanticide that had come down from medieval times... Later, social reform was made a part of the national freedom movement itself...."

How simple and easily explicable modern Indian history is, has been amply demonstrated by Bhatia. Unfortunately, the tragedy of a less ambitious scholar, who may want to understand what actually happened before aspiring to provide a reliable framework, is that Bhatia's own credentials — indisputably established in the volume under review — and the universally known facts of modern Indian history (such as the controversies between the orthodox and the progressive sections about the best way of dealing with their contemporary situation in its varied complexity) make him wary of Bhatia's conclusions.

Bhatia ends his elaborate theorisation on the note: Modern India is what its elites made it. Yes, very largely so. But they did not make modern India what it is the way Bhatia has described.

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Resource Mobilisation through Indirect Taxes

Some Aspects of Fifth Plan Strategy

N J Jhaveri

This article examines critically the effects of additional indirect taxes in the context of certain expectations and assumptions of the Draft Fifth Plan —particularly, (a) the assumption of overall price stability; (b) the assumption of reduction in the per capita consumption of the 'well-off strata' of the population; and (c) the expectation of generating surpluses of public enterprises.

THE Draft Fifth Five-Year Plan, 1974-79, envisages additional resource mobilisation of Rs 6,850 crores during the the Plan period. The break-down of this amount into different categories of taxes, *viz*, taxes on income, taxes on commodities, etc, is not known. However, on the basis of the pattern of additional resource mobilisation envisaged in the 'Approach to the Fifth Plan, 1974-79' (published in January 1973 and referred to as Approach document henceforth) it would appear that a sizeable portion of the fresh tax effort during the Fifth Plan period would be in the sphere of indirect taxes. Consistent with the fresh tax measures adopted during the earlier Five-Year Plans it may be reasonably assumed that excise duties and sales taxes will account for a major portion of the additional indirect tax effort.[1] The purpose of this article is to examine critically the effects of additional indirect taxes in the context of certain expectations and assumptions of the Draft Fifth Plan — particularly, (a) the assumption of overall price stability; (b) the assumption of reduction during the Fifth Plan in the amount of per capita consumption of the "well-off strata" of the population; and (c) expectation of generating surpluses of public enterprises (indicated at Rs 400 crores in the Approach document).

Indirect Taxes and Price Level

It is generally held that indirect taxes are shifted forward and so push up prices through cost increases. This increase in the price level however, "is a once-and-for-all increase, to be distinguished from the continuous increase that results if the inflationary gap is not closed" ("The Theory of Public Finance", Richard Musgrave, p 447). While the Draft Plan does not spell out in detail the relationship between indirect taxes and the price level, the Approach document had observed, "The market price of a commodity is built up of three components: cost of material inputs, wage and non-wage factor costs, and indirect taxes. An increase in the direct tax component trends to raise the market price". While a rise in the market price on account of an increase in indirect tax is a generally observed phenomenon, the extent of rise would depend upon a number of factors. Assuming 'forward shifting' of indirect taxes through price rise, it can be easily demonstrated that the extent of the rise in market price for the final consumer would be greater than that warranted by the increase in indirect levies. The degree of deviation in the actual rise in market price from that required by the increase in levy would generally tend to vary directly with the number of stages existing between the point(s) of increase in levy and the final consumption.

Extent of Price Rise

Let $i_1, i_2 \ldots i_n$ denote units of different inputs;

and $j_1, j_2 \ldots j_n$ denote units of different outputs.

Assuming that each product (output) uses a single input, *viz*, i the input-output ratio for produce j_1 can be expressed by $a_1 = \frac{Xi_1}{Yj_1}$ where X and Y represent units of input and output, respectively. Thus, if for producing 10 units of j_1 20 units of input i_1 are required, the input-output ratio will be 2:1. Assuming no other costs (including those of other factors), price (p) of a unit of input i_1 in this case will be one-half of the price of unit of j_1.

Now let it be assumed that an indirect *ad valorem* tax (ti_1) is levied on input i_1. Let the price on which the tax is computed be denoted by pfi_1. Let it also be assumed that the suppliers (manufacturers) of input charge profit at the rate of ri_1 per cent on pfi_1.

Assuming forward shifting of indirect tax the market price (pmi_1) of input i_1 will be $p_m i_1$

$$= pfi_1 \left\{ (1+ti_1)(1+ri_1) \right\} \ldots (I)$$

If the producers of j_1, j_2, etc, purchase input i_1 directly from the manufacturers, per unit market price of j_1 after the imposition of tax is given by $p_m{}^t j_1$

$$= a_1 \cdot p_m i_1 (1+rj_1) \ldots \quad (II)$$

where rj_1 represents margin (profit) charged by the supplier (producer) of j_1.

However, if there are intermediaries between manufacturers of i_1 and users of this input (i e, manufacturers of product j_1, j_2, j_3, etc) then the market price of j_1 will be

$$p_m{}^t j_1 = a_1 \cdot p_m j_1 \left(1 + \sum_{=1}^{m} rdi_1 \right) (1+rj_1) \ldots \quad (III)$$

where $\sum_{=i}^{m} rdi_1$ represents the margin of the intermediaries in the supply channel of input, i e,

$rd_1 i_1, rd_2 i_2 \ldots . rd_m i_2$.

If there are, as will usually be the case, intermediaries between the manufacturer of j_1 and its final consumer then the market price of j_1 will be

$$p_m{}^t j_1{}^2 = a_1 \cdot p_m i_1 \left(1 + \sum_{=1}^{m} rdi_1 \right) \left(1 + \sum_{=1}^{m} rdj_1 \right) \ldots . \quad (IV)$$

Integral Coach Factory asked HMT to get its head examined

In HMT's original Pre-Selector Turret Lathe L22TP, the turret head had to be moved to the extreme position of the bed for the power indexing mechanism to operate.

ICF felt that this meant avoidable time wastage and operator fatigue.

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It's this kind of customer participation which leads to successful developments.

Because nobody can judge an HMT machine tool better than an HMT customer. (After all, they work together—year after year!)

So, HMT talked to the Railways, Lucas-TVS, Bajaj Auto, Ordnance Factories, Divgi Metalwares, Gajra Gears, Premier Automobiles, Escorts, BEML, American Tool Inc. and Wickman of UK.

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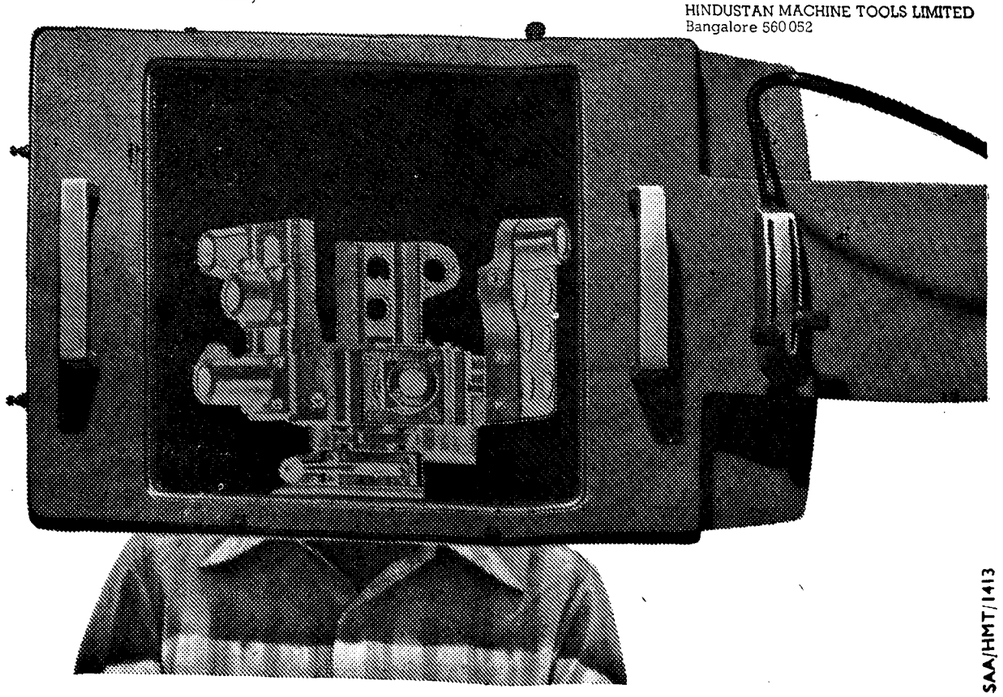
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where $\sum_{=i}^{m} rdi_1$ represents the margin of the intermediaries in respect of j_1, i e, rd_1j_1, rd_2j_1 .... rd_mj_1.

Thus the percentage increase in the price to the final consumer after the imposition of tax will be given by

$$\frac{p_mtj_1 - p_mj_1}{p_mj_1} \times 100 \quad \text{where} \quad p_mj_1$$

denotes $p_mj_1 = pfi_1 (1+ri_1) (1+rj_1)$

or $pfi_1 \left(1 + \sum_{=1}^{m} ri_1\right) \left(1 + \sum_{=1}^{m} dj_1\right)$

as the case may be.

The analysis can easily be extended to the case of an increase in the tax rate, i e, $\triangle t = t_1 - t$ by substituting $\triangle ti_1$ in place of ti_1 in (I) above and $p_m t_1 j_1$ in place of $p_m tj_1$ at appropiate places.

Multiple Indirect Levies

So far we have considered the effect on prices of a revision in tax rate on *one* input item. In reality, a product uses more than one input and hence revisions in tax rates on several inputs will have to be taken into account for arriving at the cumulative price effect of these changes. Apart from the multiplicity of tax inputs, if a particular product j_1 (e g, steel products) uses a taxed input (e g, i_1 pig iron) and is itself used as an input for manufacturing another product j_6 (e g, automobiles, tractors), account will have to be taken of revision in tax rates at different stages, i e, i_1, j_1 and j_6; as a result of these two factors, the final product prices will rise substantially. Moreover, in addition to excise duties levied by the Central government, sales taxes are levied by the state governments at *ad valorem* rates.[3] In the above equations allowance can easily be made for all these factors, but their net effect would be to push up the price further.

Still retaining the assumption that a tax increase is shifted forward, the absolute price of a product subjected to tax revision or using such product (denoted by A) would rise *vis-a-vis* prices of products not subjected to such revision or not using them (denoted by B). It follows from this that the value of the ratio of absolute prices of two products, which indicates their relative prices, would rise, i e, $\frac{p_mt_1\ A}{p_mt_1\ B} > \frac{p_mt\ A}{p_mt\ B}$. This would happen even if (i) the tax revision is made for both the products provided $\triangle t$ in respect of A is higher than that for B or/and (ii) the tax revision is uniform (say $\triangle t = 10$ per cent of t) but the proportion of the amount of tax to market price is higher for product A than for product B.

Existing Structure of Indirect Levies

With the available information regarding the market prices of taxed items, it is not possible to segregate the component of market price attributable to the imposition of indirect levies. However, such levies would appear to play an important part in determining market prices of a number of industrial products. The rates of import duties range between 20 per cent and 100 per cent exclusive of auxiliary duties. The relative price (inclusive of duties) of items subjected to heavy import duties would be higher than those either taxed lightly or exempted. The basic rates of sales tax, with a few exceptions, vary between 0.5 per cent and 3 per cent in multipoint sales-tax systems, and are 5 per cent in double-point systems and 5 to 7 per cent in single-point systems. In all the states, however, consumption luxuries attract tax rates of 10 to 15 per cent (see p 46, "Commodity Taxation in India", Lakdawala and Nambiar). To the extent items covered under sales tax have already paid excise duties, there are multiple indirect levies. Union excise duties are levied at specific rates on some items and at *ad valorem* rates on others. The rates of *ad valorem* excise duties vary from 10 per cent on medicines, vegetable oils, etc, to 300 per cent on superior varieties of cigarettes. Again, the excise levies are not confined to final consumer products — whether essentials or luxuries — but are also levied on intermediate and basic products as also on certain types of capital goods. From the point of view of price impact, as would be seen from the formulations above, the increase in market price following a given percentage rise in tax rate will be less if such revision is made at the stage nearest to the final consumption than at the earlier stages. It would be useful, therefore, to identify indirect levies on items of private consumption.

Information relating to sales tax collections is not available. With the available item-wise Union excise collection data it is not possible to segregate the extent to which demand for any excisable item is for direct private consumption, capital formation or inter-industry uses. Electric bulbs and lamps, electric fans, paper products, motor vehicles (including commercial vehicles), refrigeration and air-conditioning equipment are some of the many items listed under the excise schedule which are used for private consumption as well as used by commercial and industrial establishments. In the absence of relevant information, the entire amount of collections from such items is treated as derived from consumer products (including durables). Even with this favourable interpretation, revenue collections from such products work out to around 46 to 47 per cent of the total in 1974-75 (BE).

Cascading Effect

However, excise levies on particular

Table 1: The Level of General Price Index after the Tax Revision

Assumptions: (1) r = 5 per cent
(2) pf = Rs 100
(3) W = 100
(4) Pre-tax Change General Price Index = 100

Tax rate, t =	Case I		Case II		Case III	
	10 per cent	50 per cent	10 per cent	50 per cent	10 per cent	50 per cent
Weight in the price index w=	0.85	0.85	3.00	3.00	20.00	20.00
△ t = 10 per cent of t	100.0078	100.0386	100.0260	100.1363	100.1731	100.6666
△ t = 50 per cent of t	100.0283	100.1417	100.1000	100.5000	100.9090	103.3333

Note: For the purpose of computation margin (r) is calculated on price inclusive of tax.

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products do not by themselves indicate the total of excise (and other) duties paid on inputs at different stages in the process of production. Due to the imposition of such levies at multiple points, the proportion of indirect levies to market price would vary from commodity to commodity. For instance, while there is no excise levy (or a sales tax) on items like railway wagons, locomotives, industrial machinery, etc, the indirect levy component in their market price is bound to be quite high on account of the high import and excise duties on steel and other metals. The requirement of mild steel (in tonnes) for manufacturing a diesel locomotive, an electric locomotive and a railway wagon was estimated at 55 tonnes, 95 tonnes and 12 tonnes in that order.[4] At purchasers' prices, the co-efficient of iron and steel (metal) used by railway locomotives and railway rolling stock industry was estimated at 0.33238312 and 0.26104815 respectively, for 1963.[5]

In respect of other items, in addition to indirect levies on inputs like steel, chemicals, cement, etc, such taxes are imposed at the final product stage. For instance, iron and steel (basic metal) is used for producing iron and steel products; these in turn are used by the automobile, refrigeration and other industries. Excise duties and (sales taxes in some cases) are levied separately at each of these stages. Likewise, soda ash is taxed (under excise duty) at the rate of 10 per cent; caustic soda which uses 1.6 tonnes[6] of soda ash per tonne is taxed at the rate of 10 per cent separately. Viscose and rayon staple fibre using caustic soda in the ratio of 1:1[6] is taxed again as a separate excisable item. Fabrics made out of these fibres are again subjected to excise duties separately.

In fact, in the process of widening the excise net, a number of intermediate and basic products have been subjected to excise duties resulting in the well known cascading effect of such duties. Under the assumption of forward shifting, such imposts, irrespective of the stage at which they are levied, are passed on to the final consumers and are ultimately reflected in the market price of one product or the other. In theory, therefore, it may be argued that instead of levying indirect taxes at different stages, the government could levy indirect tax at a composite rate at the final stage. The levy of indirect taxes in such a manner may result in a reduction in the market price of a taxed commodity without any loss in revenue from indirect taxes to the government. In practice, however, there may be two types of difficulties. First, to raise a given amount of revenue, the composite rate at the final stage will have to be higher than the rates of taxes levied at different stages taken individually. 'Announcement effect' of a composite rate, therefore, may be adverse. Secondly, if the size of units producing (or distributing as in the case of retail outlets) is small and there are a number of such units, efficient collection of indirect taxes would be difficult.[7] The convenience of collecting presumably explains relatively heavy imposts on petroleum products, manmade fibres and other intermediate products.[8] While these practical difficulties come in the way of confining indirect taxes to the final stages, the fact remains that multi-point indirect levies, assuming forward shifting, push up the market price of a commodity more than the amount of tax collected by the government, depending upon the number of intermediaries at different stages and the extent of their profit margins.

TABLE 2

		Weightage in Wholesale Price Index	Union Excise Collections, (before transfer of states' share)	
			1974-75 (BE) (Rs crores)	Percentage to Total Excise Collections
1	Mineral oils	3.02	986	32.4
	of which (a) Motor spirit (Petrol)	0.92	414	13.6
	(b) Kerosene	0.85	130	4.3
2	Tobacco raw (unmanufactured tobacco, cigars and cigarettes)	1.20	379	12.5
3	Rayon and silk yarn	1.41	166	5.5
4	Cotton yarn	1.70	53	1.7
5	Cotton textiles	7.88	118	3.9
6	Iron and steel products	3.59	208	6.8
7	Paper products	0.97	46	1.5
8	Vehicles (motor vehicles, motor vehicle parts and accessories)	1.94	65	2.1
9	Electrical machinery (electric batteries, electric motors, wires and cables, wireless receiving sets, electric fans, electric bulbs, domestic electrical appliances)	1.88	96	3.2
10	Cement	0.76	70	2.3
11	Sugar	3.68	196	6.4
Total of above 11 items		28.03	2383	78.3
Total excise collections/weight		100.00	3044	100.0

Note: Excise collections include the revenue effects of fresh proposals in the 1974-75 Budget.

TAX CHANGE AND GENERAL PRICE LEVEL

The full impact of tax-induced price rise will be reflected in an index which records prices as paid by final consumers. If such an index is compiled and if it is assumed that there are no changes in the cost of wage and non-wage material inputs and in middlemens' margins, the movement in the price index would give an idea of the impact of a tax change on the relative price of the concerned products and on the general level of prices. Such an index is not available. But to get an idea of the price impact of a tax change in a simplified case let it be assumed (i) that there are no intermediaries between the producer and the consumer of a product, and (ii) there are no changes in any other cost components and in tax rates on all other products.

Let (i) t and t_1 stand, respectively, for the existing and the revised ($t_1 = t + \triangle t$) rates of tax, (ii) pf denote price used for computing tax liability, (iii) pmt = pf (1 + t) (1 + r) and pmt_1 = pf (1 + t_1) (1 + r) represent respectively, market prices before and after the tax change and (iv) w_1 be the weight of the concerned product in the total weight W (= 100) of the price index.

The overall price index (= 100 before tax change) after tax revision will be given by the following formulae.

$$\frac{pmt_1}{pmt} \cdot w_1 + (W - w_1)$$

— PEOPLE & PLACES — BUSINESS & PLEASURE — LAND & AIR — NEWS & VIEWS —

SKYLAND EXPRESS
& ALPINE ADVERTISER

74SR3

IN THIS ISSUE

- Fans' Corner
- Last Notes of Music
- Can one afford to stay at home?

MUSICAL P.S.

BERN—In the last **Skyland Express** we covered Alpine music alphabetically from A to Y (Alpenhorn to Yodelling), and said if there was a composer beginning with Z we didn't care to know it yet.

We haven't heard of one. There is, however, a **Zytgloggeturm** in Bern, the

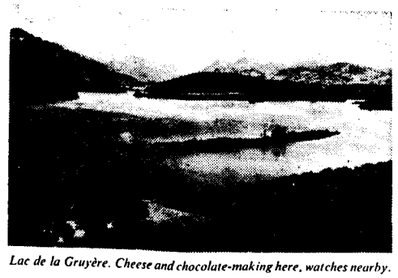


12th-century Time Bell Tower, whose 16th-century clock animates a bell-ringing fool, a lion, Father Time, a bear and a cock every hour four minutes before the hour strikes.

(Bern is one of 18 European cities for which inexpensive package arrangements are listed in a set of colour brochures called "Alpine Highlife", an indispensable guide to anyone travelling to Europe.

EARTHBOUND NOTE

SPINDLERMÜHLE, Czechoslovakia—At a recent Tourist Film Festival here, *Wings and Wheels*, a film on bicycling in the Styrian province of Austria, took first prize. It was produced by Zupan Films in cooperation with Swissair.



Lac de la Gruyère. Cheese and chocolate-making here, watches nearby.

Tick-tock, chug-chug through the Alps

ZURICH—Anyone who wants a couple of days of carefree motoring through this chocolate, cheese and watch-making countryside without the bother of making detailed plans can book an "Alpine Hideaway" package from Geneva, Zurich, or Basel, the Airline of the Alps * reports.

The two-day basic package includes a rental car with 200 km free, lodging and breakfast, and for two people travelling together the cost is very reasonable indeed.

Chug-chug, choo-choo through Switzerland, etc.

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Students under 26 and from outside of Europe can buy a special low-cost **Student Railpass** that provides two months unlimited train travel in 13 different European countries.

Overseas visitors of any age may, of course, use the tried-and-true **Eurailpass.** (Swissair or your IATA travel agent will get you one.)



AIRCRAFT FANS' CORNER

The Mystery of the Invisible Footprints



Conventional jet



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IN TRYING TO determine how much the takeoff of a particular aircraft model will disturb the neighbours, the engineers have hit on a device that makes the whole problem look deceptively simple.

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The increase in the overall price index following tax revision will directly vary with the values of $\frac{t.pf}{pm}$, t, Δt and $\frac{w_i}{W}$. Table 1 furnishes hypothetical illustrations.

Thus the extent of the rise in the overall price index would depend upon the choice of commodities. If additional indirect taxes are imposed on items like foodgrains, which have very high weightage in the wholesale price index, the impact on the overall price level may be quite significant. Under the existing indirect tax structure, consumption luxuries, particularly the superior varieties of cigarettes, synthetic and cotton yarn and fabrics, motor spirit, refrigerators, automobiles, etc, are taxed at relatively high rates. Available data in regard to excise collections show that petroleum products, tobacco (including cigarettes), textiles (including yarn and man-made fibres), food articles (mainly sugar and tea) and metal products (including metals) each account for a significant portion of the estimated excise collections in 1974-75 and together explain nearly four-fifths of the collections.

Excise collections from some items and the weights assigned to these in the wholesale price index are shown in Table 2.

It will be observed that in most cases the percentage proportion of an item in excise collections is higher — in some cases substantially higher — than its corresponding weightage in the wholesale price index. Does it follow that if the additional resources are mobilised from items with high weightage in excise collections (and generally high rates of excise duties) there will be only a nominal rise in the general price level despite a substantial increase in the tax rates? A simple answer is not possible; the final consumer's price would depend upon several other factors.

Actual Price Rise Exceeds Additional Tax Amount

For the purpose of computations in Table 1 it was assumed that there are no intermediaries. Once this simplifying assumption is removed the actual increase in the market price as paid by the consumer would be considerably higher than indicated in those computations; the rise would depend upon the number of intermediaries and their profit margin. An idea of the extent of the rise can be obtained from the hypothetical illustrations in Table 3.

It will be noticed that (a) with the introduction of intermediaries, increase in the market price exceeds the additional taxation, and (b) the excess over the amount of additional tax tends to rise with (i) the number of intermediaries, (ii) the proportion of tax to the price used for computation of tax liability (pf) and (iii) the percentage of tax change.

It was also assumed that there are no changes in the cost of other wage and non-wage inputs. Apart from an exogenous rise in such costs, the increase in tax on a product (and more so if, as generally happens, tax revisions for a few products are introduced simultaneously) may itself raise the purchase price of another product. This can happen in two ways. First, the prices of products using the products subjected to additional levy may go up and this might raise the general price index depending upon the weightage of the former in the price index. For instance, the tax induced increase in prices of cement and metal products may push up the cost of industrial construction and plant and machinery and thereby raise the per unit fixed cost. This in turn may raise the market price of a wide variety of products. Likewise, additional imports on iron and steel and petroleum products, in particular diesel, may raise the operating cost of rail and road transport industries forcing them to revise the freight charges. These in turn would be reflected in the market prices of a wide range of commodities depending upon the input co-efficient of transport services. Secondly, to the extent some allowances (e g, dearness allowance) are linked to the increase in price index, rise in the latter would raise wage payments and thereby cost of production. Therefore, if all these factors are taken into account, the extent of rise in the general price level which records price increase in respect of each product separately as a result of the chain reaction may not be insignificant, consequent upon sizeable additional indirect levies on certain selected items which are not themselves 'wage goods'.

Forward Shifting Assumption

The assumption that the entire imposition or increase in indirect tax is shifted forward may not always be valid. This assumption can easily be removed. In the foregoing formulae, this can be done by substituting for value of t or Δ t only that portion of tax which is assumed to be shifted for-

TABLE 3

pf = Rs 100

t/Δ t=	t=10 Per Cent	Δ t=10 Per Cent of t		Δ t=50 Per Cent of t		t=50 Per Cent	Δ t=10 Per Cent of t		Δ t=10 Per Cent of t	
	(1)	(2)	(3=2—1)	(4)	(5=4—1)	(6)	(7)	(8=7—6)	(9)	(10=9—6)
t. pf (rupees) Rs	10.00	11.00	+1.00	15.00	+5.00	50.00	55.00	+5.00	75.00	+25.00
Pmt/t, i e, after tax price (rupees)										
(i) Inclusive of producer's margin*	115.50	116.55	+1.05	120.75	+5.25	157.50	162.75	+5.25	183.75	+26.25
(ii) Inclusive of producer's + wholesaler's margin*	121.28	122.38	+1.10	126.79	+5.51	165.38	170.89	+5.15	192.94	+27.56
(iii) Inclusive of producer's + wholesaler's and retailer's margin*	127.34	128.50	+1.16	133.13	+5.79	173.64	179.43	+5.79	202.58	+28.94

* For the sake of simplification margins at all the stages are assumed to be 5 per cent and are computed on price inclusive of tax paid.

ward. It is possible that the income and price elasticities of demand for final product and price elasticities of inter-industry demand for increased tax products may not permit mark up of the market price by the full amount of increased tax and thereby avoid resultant changes in cost at various stages. The Draft Fifth Plan in this context refers to situations in which "if the consumers are already being charged the maximum price that they would be willing to pay, an increase in the the excise or import duty is likely to cut into the distributive margin which is a component of factor cost, rather than raise the price to the consumer", (para 4.21, page 45, Draft Fifth Plan). According to the Draft Plan document, "Considerable opportunities of this sort exist at present in the economy". It may be interesting to note in this context that despite the imposition of additional excise duties on certain items (e g, iron and steel) in recent years on the ground of a wide divergence between the actual domestic price (i e, not the controlled price) and the landed cost, there does not appear to have been either any reduction in the domestic price or squeezing of the "distributive margins". Apart from the operation of market forces (of supply and demand), statutory price controls, wherever they operate, may be another factor which does not permit any automatic increase in the final product prices following an upward revision in the rates of indirect taxes.

Despite these possibilities, forward shifting of indirect taxes, either partially or totally cannot be ruled out at least in some cases. The Draft Fifth Plan document concedes this possibility and states that "Additional indirect taxes mean that while the real quantum of gross domestic product remains unaffected, its market value is raised by the amount of total yield from these taxes" (para 4.22, page 45). In its projections of GDP, "indirect taxes by themselves are thus estimated to raise the general price level by only 3 per cent over the entire Fifth Plan period" (*ibid*).

Cost Reducing Innovations

Although, unlike the Approach document, the Draft Fifth Plan does not go on to explain in detail the consistency between upward adjustments in relative prices and the objective of overall price stability, the latter does not consider the envisaged additional taxes as "incompatible with growth with stability". The major component of strategy which can ensure growth with price stability is a reduction (offsetting the increase in indirect levy) in other components of cost. The Approach document anticipates such reductions. It states that "The only way to offset the price impact of indirect taxes is through reduction in material and factor costs. Cost reducing technical, managerial and other innovations have a vital bearing on price stability". The document assumes that "measures will be taken to overcome factors and rigidities that inhibit this [cost reduction]" (para 10, chapter IX, Approach Document).

Presenting more or less the same line of argument the Draft Fifth Plan expects neutralisation of the price-raising effect of indirect taxes by "economies in factor costs" so that the rise in the market value of GDP is less than the yield from these taxes. According to the Draft, it would "be a failure of public policy if the needed curb on private consumption proposed to be applied, *inter alia*, through indirect taxes and reduction in subsidies is allowed to be thwarted by increases in money factor incomes, more so when some of these, lie profit margins in several fields, do admit of considerable reduction". Thus the success of the strategy of raising indirect taxes without adverse effects on price level hinges upon avoidance of "factor cost inflation, generated as a reaction to additional indirect taxes or otherwise, and if there are no serious shortfalls in the realisation of production targets" (*ibid*).

The realisation of production targets depends upon several factors. It is not proposed to examine this aspect in the present paper. However, in regard to reduction in the cost of production the following points may be noted. It is not clear in what way imposition of indirect taxes by itself would induce the manufacturers/suppliers to reduce the costs. Given the objective of profit maximisation, practices which result in cost reduction (and thereby raise profits) would have already been introduced. Unless the profit maximisation behaviour is questioned, failure on the part of manufacturers/suppliers to take steps to increase profits may be attributable to factors like ignorance. It is possible that price rise due to additional indirect taxes may raise consumer resistance and make it difficult to pass on the additional imposts through appropriate change in market prices. Thereby profits may be reduced. If such additional levies are shifted, however, profits would remain unchanged and there are unlikely to be motivations to introduce cost-reducing innovations. An urge to protect profits by reducing costs would arise generally only if the market price of an item is not allowed to rise to the full extent of the tax-induced increase in costs.

Reduction in Consumption by Rich

Apart from the fact that cost-reducing innovations may not always be possible and that their benefit may not be necessarily passed on to the consumers through reduction in market price, a policy-oriented increase in the market prices of consumption luxuries so as to discourage their consumption would be a reasonable assumption consistent with the Fifth Plan strategy (para 4.19, page 45 of the Draft Plan). Relatively high level of market prices of consumption luxuries is presumably calculated to discourage their consumption. While the Draft Plan does not give an idea of the magnitude of reduction in consumption envisaged during the Fifth Plan, according to the Approach document, the monthly per capita consumption of the richest 30 per cent of the urban population is proposed to be reduced from Rs 113.21 in 1973-74 to Rs 108.07 in 1978-79. The Draft Fifth Plan indicates that while the share of private sector consumption is to be reduced from 75.9 per cent of GNP in 1973-74 to 72.1 per cent in 1978-79, the relative share of the bottom 30 per cent of the population is to be raised from 13.46 per cent of the total private consumption in 1973-74 to 18.85 per cent in 1978-79 consistent with the objective of removal of poverty (the private consumption norm for this group being defined as per capita consumption of Rs 487 per annum in 1978-79 at 1972-73 prices).

While the Approach document stated the objective in terms of reduction in consumption of the richest 30 per cent of the population, the Draft Plan envisages, as mentioned earlier, a reduction in the overall share of private consumption in gross national expenditure. This is to be attained through the modality of "curbs on consumption outlays of the well-off strata and on inessential, non-functional consumption" (para 1.61, Draft Fifth Plan). However, neither the Approach document nor the Draft Fifth Plan spells out the assumptions regarding behaviour of the richest 30 per cent of the population as consumers. Assuming no increase in the propensity to consume of the 'well-offs' during the Fifth Plan period, i e, assuming constant average propensity to consume of the richest 30 per cent, the absolute amount of consumption expenditures will remain unchanged if there is no change in prices or in disposable income (Yd). An increase in indirect tax would, let us assume, raise the market price. If there is no increase in income the amount of consumption expenditure cYd will remain the same as before the tax increase if money illusion is assumed on the part of consumers, but consumption in real terms, i e, cYd (1—t) will decline. On the other hand, if consumers do not have money illusion, they will try to maintain their consumption in real terms. In view of the increase in price due to tax revision, consumption expenditure in money terms will have to rise, thus raising the value of the fraction c if Yd remains unchanged. If the incomes of the richest 30 per cent increase as anticipated in the Approach strategy (para 10 chapter VI) and implicit in the Draft Fifth Plan projections, normally one would have expected an increase in the absolute amount of expenditure on consumption luxuries unless one considers these as 'inferior goods'.[10] What the Fifth Plan strategy envisages is a decline in the absolute amount of consumption expenditure of the richest 30 per cent or well-off strata of the population notwithstanding a rise in their incomes and in the prices of consumption luxuries.[11] For this relationship to obtain, the marginal propensity to consume will have to decline so that the average propensity comes down to an extent which results in reduction in the absolute amount of consumption out of increased incomes.

Incentives to Save and Equity

What factors would motivate the consumers in the high income groups to undergo a cut in their real consumption even though their money incomes are rising is something which is not clearly spelt out in the Approach document. Statements like "inducements must be given to potential savers to invest their savings in socially productive assets where possibilities of direct investment exist as in the case of agriculture and unincorporated enterprises" and that "the incentives offered to potential savers must be attractive enough to make them invest in financial assets" (para 11, chapter VI, Approach Document) would suggest that through fiscal or other incentives, the return on savings (i e, abstaining from current consumption) should be made sufficiently attractive so as to discourage current consumption. The rates of return required to make future consumption (i e, saving) more attractive than current consumption will have to steeply rise at the margin if consumers are to be induced to undergo a cut in real consumption in the face of rising money incomes. To attain this objective the Draft Fifth Plan would also appear to lay great stress on fiscal policy (para 2.45, page 20). It might be useful to note that, according to the Draft Plan, "Sharp increases in interest rates" are neither desirable nor feasible" for channelling savings into the hands of public intermediaries because of "the effect of such a policy on the aggregate volume of savings being much weaker" (para 2.44 page 20).

Increase in the marginal savings-income ratio in respect of the well-off strata of the population would increase wealth (physical plus financial assets) in their possession. Would this not be inconsistent with the objective of redistribution? At any rate, the Fifth Plan strategy of allowing a rise in the incomes of the richest 30 per cent and then expecting them to reduce their consumption in real terms raises several doubts.

Increased Production of Consumption Luxuries: A Paradox?

Again, nothwithstanding a decline in per capita consumption envisaged for the rich, the production of consumption luxuries is expected to rise. Leaving aside the financial aspects, an increase in total consumption of such items would be determined by (i) the level of per capita consumption of such products, (ii) the increase in this level and (iii) the increase in population. Since the Fifth Plan strategy envisages reduction in per capita consumption of such products (i e, (i) and (ii) are negative values), the possible increase in per capita consumption values may be explained by the projected rate of growth of population. Rates of growth in value of output (figures in bracket represent rates of growth as envisaged in the Approach strategy) of 5.12 per cent in textiles (5.23 per cent), 7.65 per cent (8.52 per cent) in leather and rubber products, 5.09 per cent (5.28 per cent) in cosmetics and drugs, 7.08 per cent (7.27 per cent) in electrical household goods, 7.27 per cent (9.49 per cent) in transport equipment, etc, cannot be easily explained by population growth amongst the rich adjusted for postulated decline in their per capita consumption even after allowing for the reduction in the growth rates postulated in the Draft Fifth Plan compared to the Approach document. To some extent, of course, increased output may be a result of fuller utilisation of capacity created prior to the Fifth Plan. This, however, cannot explain the anticipated growth rates in all the cases. Although the Approach document mentions the need for reorienting fiscal and industrial licensing policy to discourage expansion of output of luxury goods, additional capacity creation in some cases would appear to have been built into the targets of production during the Fifth Plan. This may appear paradoxical juxtaposed with the objective of reducing inessential consumption. However, there are at least two possible explanations for this apparent contrast.

First, an increasing proportion of production of such products may be exported. In respect of 'luxury products' the Draft Fifth Plan endorses the strategy (mentioned in the Approach document) of finding ways to use the existing capacity "as far as possible, for purposes of promoting exports" since "scrapping of existing capacity in these industries would not be a practical proposition" (para 14, Chapter V of the Approach document; para 2.21, page 18 of the Draft Fifth Plan). Secondly, increase in per capita consumption of the bottom 30 per cent as well as the consumption pattern of the middle 40 per cent may require increased production in some of these industries. Since, as stated in the Approach document, the variation between the output growth rates of the preferred (i e, one which allows for a rise in the per capita consumption of the bottom 30 per cent) and the other variant is of a small order — much less than 1.0 percentage point in most of the cases — such a hypothesis is sustained. However, it is possible that the commodity composition may shift in favour of the consumption pattern of the poor and the middle strata of population. For instance, additional production of the textile industry may predominantly be in the coarse variety of cloth; the motor vehicles industry may produce vehicles to cater to the requirements of the public transport system and so on. While the Draft Fifth Plan envisages substitution of "more superior varieties of different commodities by more common varieties" only the detailed commodity-wise exercises carried out by the Planning Commission may throw light on the extent of the substitution assumed.

Revenue Implications

But if alteration in the commodity composition in favour of the consumption pattern of the poor and the middle

classes is built into the Fifth Plan projections there arise certain problems from the point of financial resources. If output of luxury goods for the domestic market is to be reduced either by using the existing capacity for producing for the export market or for producing relatively low-priced products, the revenue from indirect taxes will decline. Even if additional subsidies to promote exports of non-traditional items are not taken into account, the rebate at the existing rates allowed on exports in respect of excise duties paid at earlier stages, would result in a decline in revenue from excise (and other indirect taxes). Further, relatively low-priced products (e g, inferior varieties of textiles, cigarettes, etc), mainly consumed by the poor and the low-middle classes, are subjected to excise and other indirect taxes at low rates. The change in the composition of products sold in the domestic market against the consumption pattern of the rich would thus tend to reduce the indirect tax revenue.

In the absence of knowledge of the assumptions underlying the estimates of financial resources, it cannot be ascertained whether the projected revenue from indirect taxes for the Fifth Plan makes allowance for these factors. Consistent with the assumption of stable prices (exclusive of tax changes), the Approach strategy with its stress on discouraging production of luxuries should bring about some reduction in normal (i e, without changes in the tax rate) growth rates in revenue from indirect levies. While details are not available, anticipated revenue from excise duties and sales taxes during the Fifth Plan at 1972-73 rates of taxes shows a compound rate of growth of over 8 per cent and over 7 per cent, respectively, as per the Approach document. The expectation of an increase of this order at unchanged tax rates would appear to be inconsistent with the assumption of price stability and the objective of reducing per capita consumption of high-taxed luxury products in real terms.

Additional Resources Mobilisation: Double Counting

Another point which has generally been overlooked in the resource computation exercises for the plans is the intra-public sector transactions arising from tax revision. It is a moot question whether the entire additional collections consequent upon an upward revision in tax rates could be considered additional resource mobilisation. An increase in indirect levy on iron and steel, for instance, would raise the material input cost for the railways by pushing up the price of railway wagons, locomotives, etc. An additional impost on petroleum products may push up the operating cost for rail and road transport as well as the aviation industry all of which are almost wholly in the public sector. No doubt the indirect tax collections of the government would rise through imposts on steel and petroleum products, thus resulting in 'additional resource mobilisation'. But the resultant increase in the investment and operating cost of public sector enterprises would reduce their surpluses, unless the increased costs are passed on to the users. The revisions in tariffs by such enterprises, unless they exceed the tax-induced increase in cost, would merely absorb such cost increases. The question is to what extent it is proper to consider tariff adjustments to absorb the increased tax as constituting additional resource mobilisation.

If additional resource mobilisation is defined, as it should be, as the increase in the withdrawal of financial resources from their private use then additional indirect levies (concealed in their input costs) paid by public sector undertakings cannot be necessarily considered additional resource mobilisation. Thus, out of the increased indirect tax collections following a tax revision, the tax element in the increased input cost of the public sector undertakings will have to be taken out in order to arrive at the real magnitude of additional resource mobilisation. In that case, collections by public sector enterprises from private users, through revision in their tariffs in addition to the incremental tax paid by them on account of tax rate revision, would alone constitute additional resource mobilisation in the true sense. To put it differently, failure on the part of public sector enterprises to pass on the tax-induced price rise to the private users of taxed products is akin to the grant of a subsidy (because it cuts into their profits) and should be set off against the additional resources collected through revision in tax rates. Simple addition of additional collections through tax and tariff revisions at all the stages thus overstates the magnitude of purchasing power withdrawn from private use.

Notes

I The measures of additional taxation taken by the Central and the state governments during 1974-75, the first year of the Fifth Five-Year Plan, confirm this pattern.

2 The actual price to the purchaser may be still higher if cognisance is taken of insurance and freight charges to the extent these are linked to suppliers' prices.

3 It may be noted that revision of tax rate at the initial stages in the chain of production process would raise automatically the yield from *ad valorem* taxes levied at subsequent stages.

4 Planning Commission, Perspective Planning Division, Draft Fourth Plan Material and Financial Balances, page 57.

5 Gokhale Institute of Politics and Economics, *Artha Vijnana*, March 1972, Vol XIV, Input-Output Table for India 1963.

6 Planning Commission, PPD, Material and Financial Balances.

7 Value-added-tax is a multi-point levy and hence to raise a given amount of revenue it requires a much lower rate than the composite rate; it also avoids cascading effect. There are, however, two types of problems in regard to VAT, if considered as a substitute for excise duties. With a wide divergence in the rates of excise duty a uniform rate VAT (or with rates varying within a narrow range) as a substitute for Union excise duties may considerably reduce the tax 'incidence' in respect of some of the highly-taxed items. Secondly, there may be administrative difficulties of assessing VAT in respect of a number of small units.

8 It may also be argued that if indirect taxes are imposed only at one stage there will be a strong incentive for evasion through collusion between the seller and the buyer. If, however, indirect taxes are imposed at various stages there will have to be a collusion at different points of impact of indirect levies; this may not be very easy. Besides, since the rates of tax at each point of impact will be lower than the composite rate, the incentive for evasion, which is generally believed to be a direct function of the level of tax rates (see Wanchoo Committee Report) will be lower.

9 If no reduction in equality of consumption expenditure is assured the monthly per capita consumption expenditure of the richest 30 per cent of the urban population would have increased from Rs 113.21 in 1973-74 to Rs 128.45 in 1978-79.

10 An inferior good is defined as one less of which is purchased when there is a rise in income.

11 Some of the consumption luxuries have a "snob appeal" and can more appropriately be categorised as 'Giffen goods' more of which might be purchased when their prices go up (see Paul Samuelson, "Economics", Asian Student's (fifth) Edition, p 484).

Educational Inequalities among Rajasthan's Scheduled Castes

K L Sharma

Analysis of three crucial factors — enrolment, hostels and scholarships — which are related to the education of the Scheduled Castes reveals that their alarmingly backward condition is connected to the deprivation they suffer in relation to the higher status groups and to the differential treatment they receive from the power elites among themselves.

Broadly, the distributive disparities affecting the Scheduled Castes are at three levels: between the Scheduled Castes and the general population; between the various Scheduled Castes; and among Scheduled Castes in a particular district or area.

THE Scheduled Castes suffer today not only because of imposed social and cultural disabilities but perhaps much more because of the imbalances created by the emergence of structural differentiation within them which is a consequence of the policies and plans undertaken ostensibly for their uplift and welfare. The differential treatment given to the politically weaker and sometimes to the numerically non-preponderant groups within the Scheduled Castes is a major reason for these continuing inequalities.

Analysis of three crucial factors — enrolment, hostels and scholarships — which are related to the education of the Scheduled Castes reveals that their alarmingly backward condition is connected to the deprivation they suffer in relation to the higher status groups and to the differential treatment they receive from the power elites among themselves. Broadly, the distributive disparities affecting the Scheduled Castes are at three levels: between the Scheduled Castes and the general population; between the various Scheduled Castes; and among the Scheduled Castes in a particular district or place.

On examining enrolment figures the disparities between caste Hindus and the Scheduled Castes become clear. For an understanding of intra-Scheduled Castes disparities, an analysis of the pattern of hostels and scholarships is necessary.

According to the 1971 census the Scheduled Caste population in India makes up 14.6 per cent of the total population, whereas the Scheduled Caste population in Rajasthan amounts to 15.8 per cent of the total population of the state. The percentage of literates in the state as a whole is 15.2, but among the Scheduled Castes of Rajasthan the percentage of literacy is only 6.2. And among the various districts of Rajasthan, the level of literacy of their Scheduled Caste populations varies widely — the highest being 13.7 per cent in one district and the lowest being 2.1 per cent in another district. The literacy level also varies between one Scheduled Caste and another — the most literate Scheduled Caste has a literacy rate of 11.6 per cent, while the least literate has a rate of 3.2 per cent.

Enrolment

Table 1 shows the enrolment rates of the Scheduled Castes at different levels of education. The higher the educational level, the lower is the enrolment rate of the Scheduled Castes. This clearly reflects the inability of most Scheduled Caste parents to send their children to school and college particularly because crucial family earnings are supplemented by working children. Therefore, even the available facilities for higher secondary and college/university education cannot be availed of by the weaker sections among the Scheduled Castes. This indicates that it is not the quantum of available educational facilities which determines the educational attainments of various groups but it is the differential background of social networks, status, power, etc, of these groups which determines their level of education. Therefore, an increase in the educational facilities for the Scheduled Castes may not result in the lessening of the gaps between caste Hindus and the Scheduled Castes or between the different Scheduled Castes themselves. Unless a fair distribution of the use of educational facilities is ensured, the present educational system will continue to accentuate the distinctions among the Scheduled Castes. Another dangerous consequence of this trend would be the continuance and further increase of inequalities between caste Hindus and the majority of Scheduled Castes. As is well known, this has already led to a situation where the jobs and positions earmarked for candidates belonging to the Scheduled Castes remain unfilled for some time and are then filled by recruiting non-Scheduled Caste candidates.

This paucity of suitably qualified Scheduled Caste candidates is partly explained by the lack of Scheduled Caste students enrolled in science faculties. The predominance of non-Scheduled Caste students continues in the science subjects, including medicine and engineering. This predominance is even greater than indicated in Table 2, because Scheduled Tribe students have been lumped together with caste Hindu students.

Hostels

There are also marked disparities in the provision of hostel facilities for Scheduled Caste students. Upto 1966-67 there were exclusive hostels for Scheduled Caste students, including at college level. At present the exclusive hostels are only upto the higher secondary stage. Since 1967-68, five per cent of the places in all college hostels are reserved for Scheduled Caste students. To break the isolation of Mehtar (sweeper) students and to integrate them with other students, five places are kept reserved in every hostel for them. Also, twenty per cent of the places in the hostels for Scheduled Tribe students are reserved for the Scheduled Castes.

The sketchy and inadequate data on hostel facilities for the Scheduled Castes in Rajasthan show that the hostels for Scheduled Caste students are not distributed in proportion to the ratio of Scheduled Castes in each district as related to the entire population of Scheduled Castes in the state. Though hostels are a key mechanism through which a number of other facilites like scholarships and special coaching are extended to Scheduled Caste students, information about the actual utilisation of these facilities by students, both Scheduled Caste and non-Scheduled Caste, in each district is meagre and unreliable.

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In all there are Scheduled Caste hostels with 4,474 residents in Rajasthan as counted in July 1972. Of these hostels, seven are for girls with a total of 275 residents. Table 3 shows the uneven distribution of hostels, with a concentration of them, not surprisingly in the districts with the bigger urban centres and larger universities such as Jaipur, Udaipur and Jodhpur. There is no correlation between the number of Scheduled Caste hostels and the number of Scheduled Caste students in a district. For instance, some districts like Alwar and Ganganagar have many hundreds of Scheduled Caste students but accommodate only a few of them in a small number of hostels. There is also no proportional relationship between the number of students of a particular Scheduled Caste and the total population of that caste.

However, many of the numerically small Scheduled Castes are not represented at all in the hostels. Of the 27 Scheduled Castes that have no hostel residents, about half have populations of between 1,000 to 10,000, with the remainder having populations of less than 1,000. But there are other Scheduled Castes in the range of 1,000 to 10,000 and 10,000 to 25,000 that have benefited from hostel facilities. However, no caste having a population of less than 1,000 has any hostel residents. In the range of 10,000 to 25,000 only three castes have not benefited from hostel facilities and all the castes with populations of 25,000 or more have been using hostel facilities.

For a fuller understanding of the place of the Scheduled Castes in hostels, a series of micro-studies are needed with particular reference to the composition of hostel admission, managing, mess and purchase committees, student participation and involvement in these bodies, extra-curricular activities, and academic performance of the students living in these hostels. Other factors like intervention by political leaders, politicalisation of students, hostels as political arenas, and the role of caste distinctions, could also be studied.

Scholarships

A major factor in the education of the Scheduled Castes is scholarships. Both the state and the Central governments give scholarships to Scheduled Caste students in Rajasthan. There are three types of scholarships — pre-matric, post-matric and for technical education. The amount paid as pre-matric scholarship in Rajasthan is meagre but is more than that given in some other states. There are no scholarships for students studying in classes one to five. They are given some nominal financial assistance once a year. Students in classes six to eight are paid five rupees per month for a period of 10 months a year. Twenty rupees per month are paid to students of classes nine to eleven, also for 10 months a year. Post-matric and technical education students are eligible for receiving both state and Central government scholarships simultaneously. Students receiving education in some special institutions and public schools are given special scholarships. Scheduled Caste students are also given some other concessions, such as exemption from fees, reservation of seats, concession in marks, etc.

But again, these scholarships are not equitably distributed. Table 4 shows that 19 Scheduled Castes constituting 9.22 per cent of the total Scheduled Caste population of Rajasthan, received 24.44 per cent of the total scholarships. From among these 19 Scheduled Castes, four — Bairwa, Chanuk, Khatik, Koli — received maximum benefits. 13 Scheduled Castes received less than their proportionate share of awards. 36 Scheduled Castes, constituting about seven per cent of the total Scheduled Caste population, did not receive even a single scholarship. But each of these 36 castes invariably accounted for less than one per cent of the total Scheduled Caste population. It is interesting to note that the Scheduled Castes who were lesser beneficiaries of hostel facilities received more of the scholarships — such as the Khatiks, Koiris and Mehtars.

Thus, a multiplicity of factors operates in a very complex fashion in the distribution of benefits to the Scheduled Castes. As a result of this, one finds inter-district disparities, intra-district

TABLE 1: ENROLMENT OF SCHEDULED CASTE STUDENTS IN 1965-66

Educational Levels	Total Enrolment	Enrolment of SC Students	Percentage of SC Enrolment to Total Enrolment
Primary	15,18,364	2,20,573	13.6
Middle	3,29,910	29,301	8.8
High/Higher Secondary	1,39,156	6,915	5.0
Total	20,87,430	2,56,789	9.1

Source: "Committee on the Welfare of Scheduled Castes and Scheduled Tribes", 14th Report, 1970.

TABLE 2: ADMISSIONS OF SCHEDULED CASTE AND OTHER STUDENTS IN DIFFERENT FACULTIES

Year	Scheduled Caste Students			Non-Scheduled Caste including Scheduled Tribe Students		
	Science	Art	Commerce	Science	Art	Commerce
1967-68	114 (18.2)	426 (68.3)	83 (13.3)	4,549 (35.0)	6,053 (46.5)	2,395 (18.4)
1968-69	167 (22.9)	486 (66.8)	74 (10.1)	6,392 (41.2)	6,772 (42.2)	2,815 (16.4)
1969-70	250 (26.7)	577 (61.7)	107 (11.4)	7,523 (43.7)	6,621 (38.5)	3,043 (17.6)

Percentages are given in brackets.
Source: Same as in Table 1.

TABLE 3: DISTRICT-WISE DISTRIBUTION OF SCHEDULED CASTE HOSTELS AND RESIDENTS

District	Number of Residents	Number of Hostels
Ajmer	50	7
Alwar	110	3
Bikaner	225	6
Bundi	80	2
Barmer	175	5
Banswara	—	—
Bhilwara	125	4
Bharatpur	310	7
Churu	140	3
Chittorgarh	90	3
Dungarpur	—	—
Ganganagar	175	5
Jaipur	686	17
Jodhpur	315	9
Jaisalmer	200	5
Jalor	30	1
Jhalawar	—	—
Jhunjhunu	345	9
Kota	245	7
Nagaur	260	8
Pali	175	3
Sikar	NA	NA
Sirohi	105	3
Sawai-Madhopur	120	4
Tonk	75	2
Udaipur	233	8
Total	4,474	121

Source: Department of Social Welfare, Government of Rajasthan, Jaipur.

TABLE 4: CASTE-WISE DISTRIBUTION OF SCHOLARSHIPS

Scheduled Caste	Percentage of Population of the Particular Caste to Total SC Population in the State	Percentage of Scholarships Received by Students of the Particular Caste
Aheri	0.06	0.28
Bairwa or Berwa	0 26	3.88
Baori	0.06	7.11
Bhand	0.13	0.50
Dabgar	0 04	0.05
Dhanuk	0.06	1.33
Dhobi	0.17	0 39
Dom	0 01	0.33
Garancha or Gancha	0 51	0 50
Jingar	0 05	0.44
Garoda	0 01	0 33
Khangar	0 01	0.05
Koli or Kori	3.97	6.66
Khatik	3.11	5.66
Mehar	0.57	1.05
Mehtar	0.37	1.22
Rawal	0.14	0.33
Salve	0.10	1.16
Santia	0.05	0.17
Total	9.22	24.44

Source: "Report of the Commissioner for Scheduled Castes and Scheduled Tribes", 1968-69, Vols 1 and 2, pp 122-23.

intra-caste disparities, etc, and also disparities because of numerical preponderance, political representation of a particular Scheduled Caste in the Lok Sabha or the State Assembly and sometimes because of certain political and election strategies.

In addition, a combination of other factors, such as past socio-cultural background and present power position in the state and local hierarchies, are also responsible for the disparities and discrepancies. These gaps have not only persisted between the general population and the Scheduled Castes but the availability of certain facilities has also accentuated class distinctions within the Scheduled Castes. The frequent increases in the extent of facilities have increased inequalities primarily because of the differential and unfair distribution of these facilities.

The lack of political mobilisation and the prevalence of social isolation and extreme poverty among the Scheduled Castes have also frustrated the egalitarian programmes meant for their welfare. Conversion to other faiths and change of occupation, without substantial economic gain, are pointless in achieving status mobility. The institution of an increase in the financial rewards for the so-called menial and polluting occupations, and conversely, a decrease in the remunerations of the so-called clean and pure-occupations, would help towards exposing the false notions of 'functionality' and 'differential necessity'. Such a step could help to break through the tendency of monopolising power and status through educational attainment.

Further, children of Scheduled Caste elite families should not be given such facilities as scholarships, hostel admissions and other assistance. These families are better off than the elite families of caste Hindus in a number of cases. These scholarships and other facilities should, therefore, be given to other needy students belonging to the Scheduled Castes. At present, those Scheduled Caste students who receive financial awards at the post-matric level generally come from an upper class background and their successful completion of studies further strengthens their class position. This leads to a vicious circle of increasing intra-Scheduled Caste inequalities. The Scheduled Caste elites become, in fact, 'caste Hindus' to other members of their own communities.

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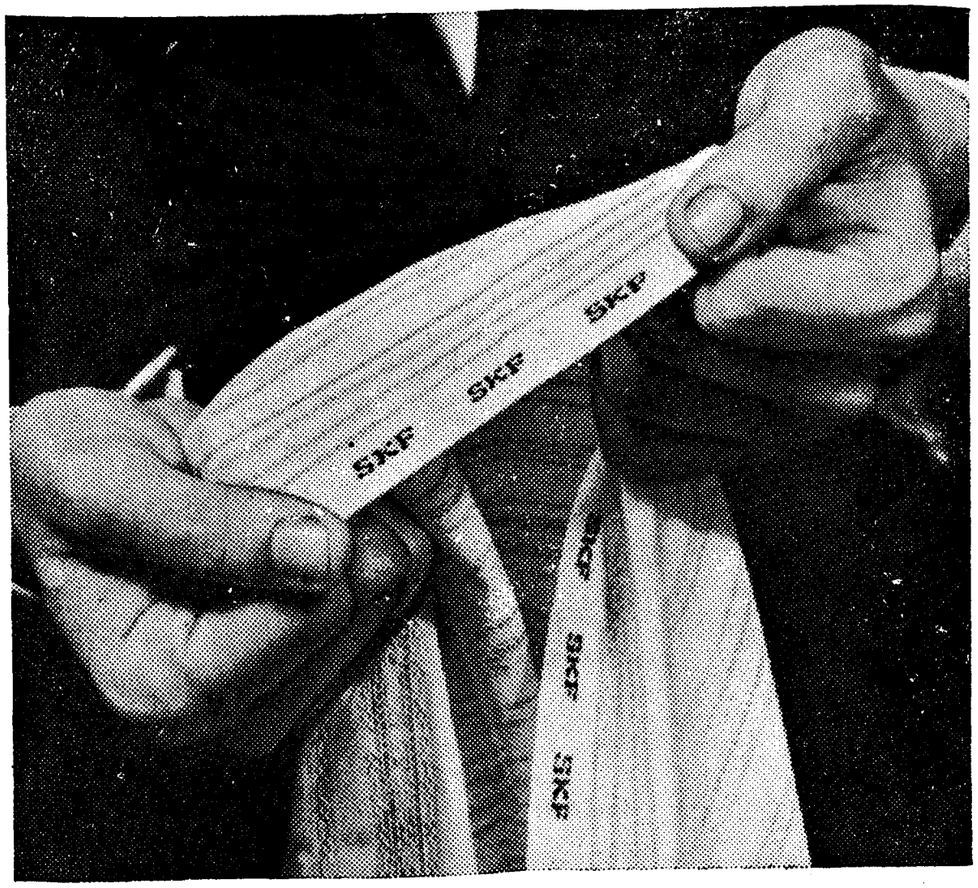
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ITC

ITC, formerly India Tobacco Company, is increasing Indian participation in its share capital from 25 per cent to 40 per cent by making the foreign shareholders to agree to offer 28,04,775 shares out of their holdings to the Indian public at par. Of these shares, 10 lakh shares are being offered to the general public through a prospectus and 7,95,871 to the existing shareholders as 'rights' shares in the proportion 1 : 6. The remaining shares are reserved for financial institutions, employees, etc. LIC and UTI propose to acquire 3,79,452 shares each. A leader in the cigarette industry, the 64-year-old ITC also fabricates printed packing material. It is now diversifying into marine products and tourist hotels. According to the management, all necessary government permissions have been obtained for the acquisition of trawlers, the setting up of fish processing plants and the establishment of hotels at Madras, Agra and Delhi. A beginning has already been made in the export of marine products; exports for the year ended March last were of the order of Rs 4.30 crores. The company's hotel at Madras is nearing completion, and land has been acquired at Agra and Delhi and construction is about to commence. One of the main reasons for entering these new fields of activities is the potential for earning foreign exchange. ITC's sales have risen from Rs 145 crores in 1969-70 to Rs 264 crores in 1973-74 and profit after tax from Rs 3.56 crores to Rs 4.46 crores. A total dividend of 15 per cent was recommended by the directors for 1973-74, but in view of the government restriction on payment of dividends, the payment was limited to the 7 per cent already paid by way of interim dividend. As at the end of March last, ITC's net worth was Rs 39 crores and its gross assets were of the order of Rs 75 crores. The shares being offered for sale will participate in the dividend from the current financial year. The entire amount of Rs 10 per share is payable on application. The subscription list will open on September 4 and close on September 21 or earlier, but not earlier than September 6.



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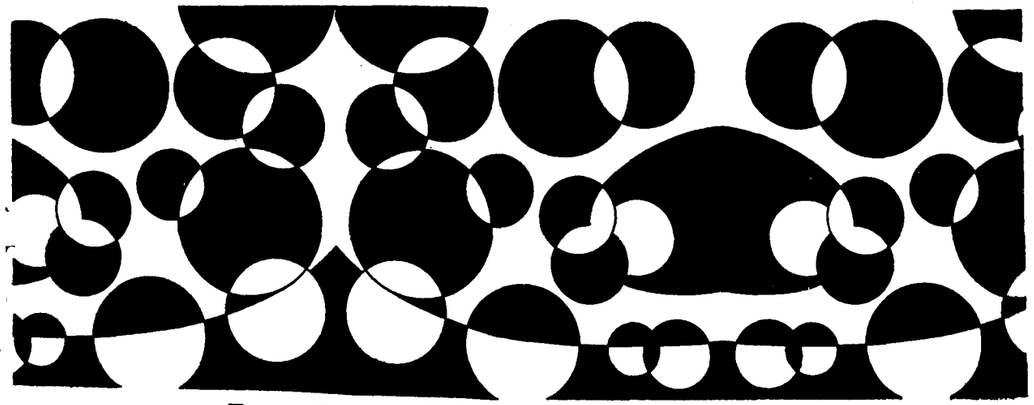
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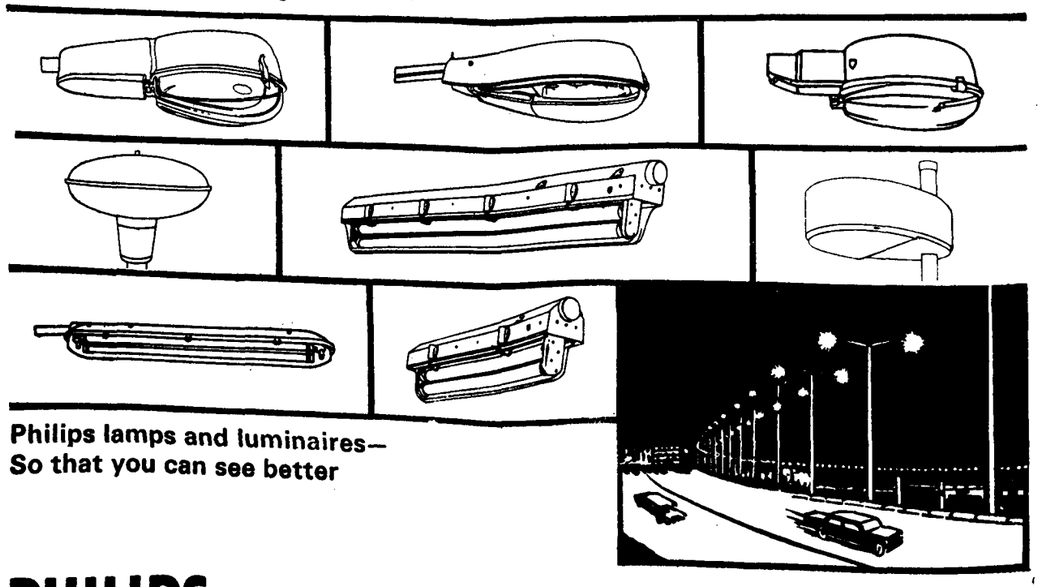
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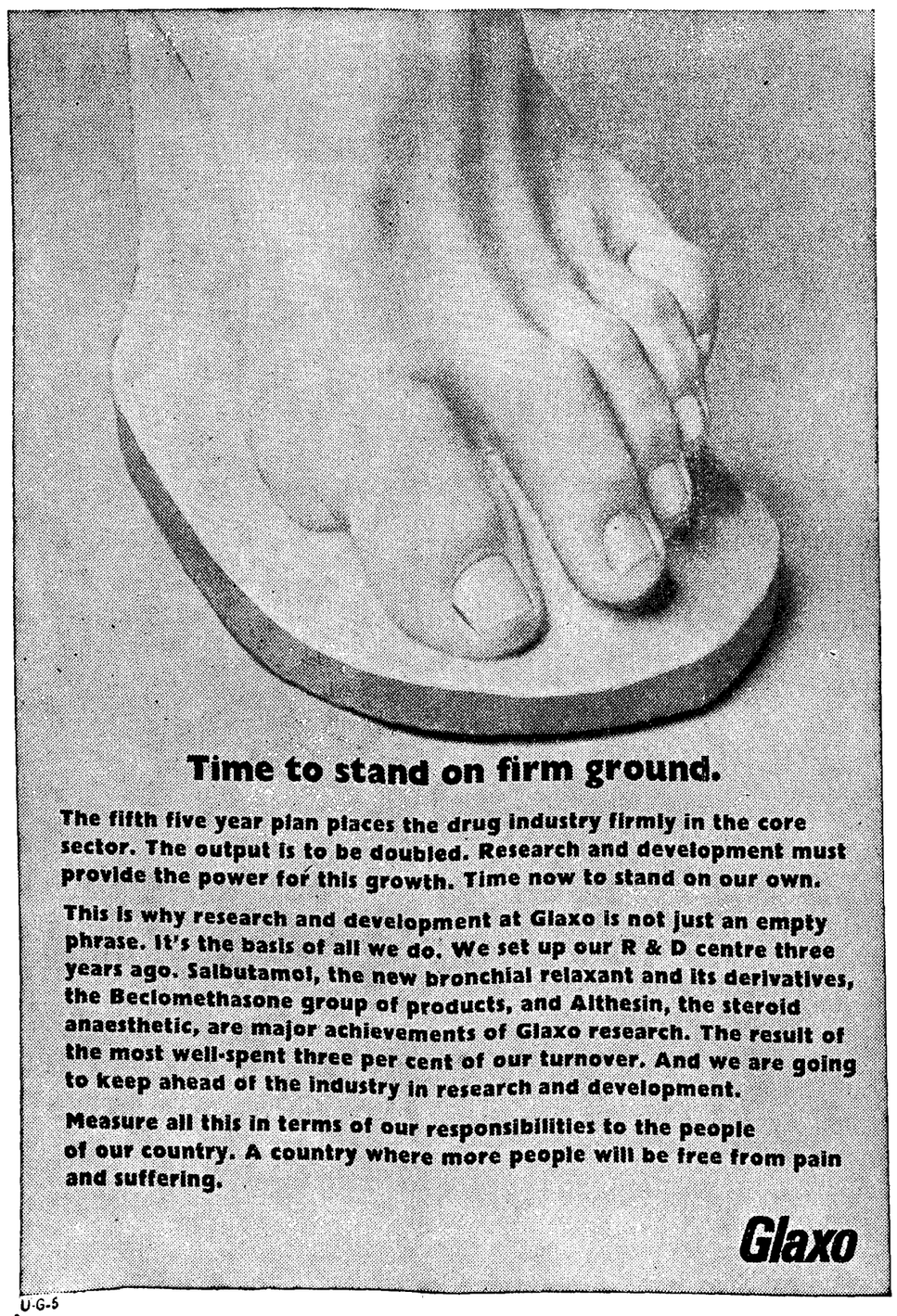
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POPULATION GROWTH AND DECLINE IN MORTALITY

AMNESTY REPORT ON BENGAL PRISONERS



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ECONOMIC AND POLITICAL WEEKLY

Founder-Editor: Sachin Chaudhuri

Vol IX No 38 September 21, 1974

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Dying on Roots and Grass

THE US administration will not on its own offer foodgrain to India. New Delhi is finding it embarrassing to make an overt request for such supplies. It is perhaps the Government of India which sooner or later would have to give in. An inward-looking administration in Washington could not care less whether Indira Gandhi faces domestic embarrassment in explicitly seeking food aid from the Americans. It might even conclude that the experience of such an embarrassment would make her more amenable to American advice in subsequent seasons. Before giving in, New Delhi, in its turn, might await the outcome of the exchanges with Moscow and the follow-up discussions of the External Affairs Minister in the USSR.

Following these moves and counter-moves, an additional quantity of foodgrains might be imported, and the necessary finances taken care of. These imported grains are, however, unlikely to be available before another four to five months. Even when available, they are unlikely to penetrate the rural areas. And meanwhile, with the nadir of the lean season fast approaching, grim events are unfolding in the countryside. Official prevarication notwithstanding, deaths from starvation are taking place in the interior villages of several regions — particularly in villages in the deficit states. As is to be expected, the landless labourers and their families are the primary victims. They do not have enough work during this period; indeed, they never did have. Further, even where they are able to find some work, the paltry sum they receive as wages is woefully inadequate in the face of the spiralling prices of foodgrains.

Provided official food statistics are not to be scoffed at, despite poor procurement — or because of it —, there would be stocks of foodgrains in the villages to be disposed of. But the nation's majority do not have the wherewithal to obtain any of that. According to reports streaming in every day, thousands have been reduced to subsisting on vegetable roots and wild grass. Those among the poor who had some durable capital, such as corrugated iron sheets over their hutments or one or two brass vessels, are selling them off and buying a temporary respite from hunger. But this is a futile race against time. Labourers on daily wages, who are too weak to work, can earn little at the end of the day; and since they earn so little, they have little to eat and sustain their energy for work, so that, on subsequent days, they are able to work still less and, therefore, earn still less. Finally, comes a day when they are physically incapable of venturing out in search of work; they and their families must therefore perish.

What has been described above is not an academic model of hunger. The scenario is being enacted and re-enacted, right at this juncture, all over the country. The nation's Parliament, however, was not unduly exercised. It discussed the National Cadet Corps bill, it got worked up over the insolence of Sikkim's Chogyal, it congratulated its Member who had done modestly well in the rifle-shooting contest in the Asian Olympics. Occasionally, references were made to urban shortages, such as the scarcity of salt and sugar, or of kerosene and vanaspati. Very few MPs bothered about the approaching tragedy in the countryside. If questions are asked about starvation deaths in remote rural areas, Ministers are known to sulk and ask for notice. There could be reason for their complacence; their Intelligence apparatus might have informed them that the gathering turbulence will end not in thunder, but in a whimper.

Through the courtesy of a visiting American Senator, who had confidential exchanges with ministers and officials, the people of this country have meanwhile been told that the kharif crop of 1974-75 will be at least seven million tonnes less than it was in 1973-74. Because of unsatisfactory rains, a shortage of water is also likely in the catchment areas and so the rabi crop too, it is apprehended, will be down. Which means that, the plight of the unfortunate millions in the countryside would be even harsher about this time next year. The modality of dealing with the problem of their empty bellies will be no different, however. No famine is going to be declared, there will be no public distribution of grains for them at cheap rates. They will continue to die unsung. But, officially, the country will continue its 'progress'. This year it was first the nuclear implosion, now followed by Sikkim. Next year, perhaps, it will be an Indian version of the sputnik, and we will have arrived in space. Once you have attained such heights, people and their need for food must indeed seem remote and trivial.

Government Housing

To Those That Have...

IN New Delhi's stratified society, the allotment of government accommodations, it is well known, is made on a highly selective basis. Type I quarters — the lowest species of official accommodation — are allotted to government servants who draw emoluments of less than Rs 175 per month; that is, those who belong to the Class IV category. As one goes up the scale of emoluments, naturally the quality of accommodation one is entitled to improves: at the level of Secretary, the availability is of Type VIII — that is to say, posh bungalows with two or three acres of lawn and lush vegetation thrown in.

A sample study was conducted to find out what percentage of their emoluments were paid as rent by the allottees of Type V to VII residences in New Delhi in 1972. The spectrum of employees covered by the study included relatively junior officers, at one end, to Secretaries and Additional Secretaries, at the other. The results, incorporated in a recent report of the Comptroller and Auditor-General, are presented in the accompanying Table (position as on June 1, 1972).

Thus 75 per cent of the allottees of Type VII quarters — drawing anywhere between Rs 3,000 and Rs 4,000 per month — paid less than 6 per cent of their emoluments as rent. On the other hand, nearly 95 per cent of the employees allotted Type V quarters were forking out more than 6 per cent of their pay as rent. To be even more specific, while roughly 40 per cent of the allottees of Type V quarters paid as rent more than 8 per cent of their emoluments, not one of the allottees of Type VII houses was called upon to pay that high a proportion of their earnings as rent. Those occupying Type I and Type II accommodations—usually the vast army of class IV employees — were charged 7.5 per cent of their emoluments. The structure of rents was hence so arranged as to make it uniformly regressive: the higher the pay received, the lower the proportion of it paid out as rent.

The sample study reveals something else as well. The rate of return on government accommodations — that is to say, the rent actually recovered net of expenses on account of maintenance and repairs as a proportion of capital cost — was also consistently regressive. In 1970-71, the rate of return was 4.13 per cent for Type II quarters, but only 2.24 per cent for Type VII ones. Next year, the rate of return for Type II accommodations was 3.43 per cent; it was 2.46 per cent for Type VI, and 2.29 per cent for Type VII quarters.

Expenditure incurred for maintenance and repairs in 1970-71 was Rs 31.25 lakhs for 21,202 quarters belonging to Types II to IV. In contrast, as much as Rs 24.52 lakhs were spent for only 3,226 accommodations of Types V to VIII. In 1971-72, repairs of the two respective groups of quarters cost Rs 26.49 and Rs 39.61 lakhs; in 1972-73, the respective figures were Rs 23.83 lakhs and Rs 33.36 lakhs. If the expenditure on repair and maintenance of Types V to VIII quarters were further analysed, the bulk of it could have been shown, to have been on account of houses belonging to Types VII and VIII.

Apart from ordinary repairs and maintenance, special expenditure is also incurred from time to time on 'additions and alterations' to quarters. Such expenditure on Types I to VIII quarters during the period 1968-69 to 1972-73 aggregated to Rs 34.13 lakhs; of this amount, as much as Rs 13.52 lakhs were spent on improving Type VIII accommodations occupied by Ministers and Secretaries.

Quarters are supposed to be made available against as much as 90 per cent of the sanctioned posts in the Class I category; but, it is understood, as against sanctioned Class IV posts, the sanctioned availability of quarters is only around 30 per cent. Thus, for each Secretary to the Government of India who enjoys a luxurious bungalow and pays for it perhaps 4 per cent of his salary as rent, there are at least one thousand or more government officials who, denied official accommodation, are shelling out no less than 25 to 30 per cent of their monthly emoluments for a one-room tenement.

TABLE

	Type of Quarters		
	V	VI	VII
Number of quarters selected	147	48	12
Paying 4 per cent of pay or less	1	—	1
Paying above 4 per cent and up to 5 per cent of pay	10	5	—
Paying above 5 per cent and up to 6 per cent of pay	22	14	8
Paying above 6 per cent and up to 7 per cent of pay	31	8	2
Paying above 7 per cent and up to 8 per cent of pay	30	14	1
Paying above 8 per cent and up to 9 per cent of pay	32	3	—
Paying above 9 per cent and up to 10 per cent of pay	21	4	—
Total	147	48	12

IMF

Back in Business

FOR the International Monetary Fund (IMF) the fiscal year ended April 1974 was a hectic one. The floating exchange rates regime, initiated in March 1973, got fully entrenched during the year. To the surprise of many, floating rates soon came to be seen as the only generally acceptable solution to the problems that were plaguing the world monetary system after the collapse of the Bretton Woods arrangements in August 1971. The oil crisis, which brought about a structural change in the payments system, further confirmed that fixed exchange rates, such as had ruled for two and a half decades till mid-1971, were a thing of the past.

A regime of floating exchange rates was initially anathema to the IMF as it virtually questioned the very basis of the IMF. If markets could be relied upon to tackle problems of payments deficits on a day-to-day basis through exchange rate variations and thus render obsolete official judgment about the 'appropriate' exchange rate of any currency, there was no little reason why an elaborate apparatus like that of the IMF should continue to be maintained. The oil crisis, however, changed the situation dramatically in favour of the IMF.

It has become clear by now that floating rates cannot solve most of the problems which at first sight they were thought capable of solving. Both the UK and Italy, ardent supporters of floating rates, have failed to rectify their non-oil-induced trade deficits. It is slowly dawning on the advocates of floating that floating exchange rates have proved a reliable mechanism of transmitting inflationary forces across national borders. More important, floating rates have not dispensed with need for short or medium term financing of deficits by the IMF. The IMF has already worked out an oil facility scheme with around $ 3.5 billion initially, obtained through credits from the oil exporting countries. Countries in need can draw on this facility and be subjected to the usual IMF surveillance. The IMF has also decided to create a new scheme called Extended Fund Facility under which developing countries can obtain medium-term finance for balance of payments purposes.

Now that the ill-fated Committee of Twenty has been wound up, the IMF would also be entrusted with greater responsibilities and powers through its new Super-Board which is to be designated as the Interim Committee of the Board of Governors. The Committee will be subsequently designated the Council of the Board of Governors after an amendment to the IMF's Articles of Agreement.

What are the problems of the world payments system in tackling which the IMF can hope to play a useful role through its Super-Board? Last year saw very wide fluctuations in exchange rates which in the past would have been regarded as highly de-stabilising and harmful. The expectation that speculators would be deterred by the two-way option involved in floating exchange rates has not been borne out entirely. That a number of them were able to play the markets extremely profitably, at the cost of the banking community, is indicated by bank failures on account of losses incurred purely in foreign exchange transactions. Maybe the banks will learn from their mistakes. But the IMF can play a more effective role in keeping a check on speculation than the Bank of International Settlements because of its more representative character.

World trade, reckoned in dollars, increased by a phenomenal 37 per cent in 1973 as against an average rise of 10 per cent during the decade 1960-70, 14.5 per cent in 1970, 12 per cent in 1971 and 18 per cent in 1972. In volume terms the rise was 12.5 per cent in 1973 as against about 9 per cent on average during 1960-72. The steep increase in the value of trade in 1973 was thus largely due to a spurt in unit values. The rise in unit values was 1 per cent in the decade 1960-70, 5 per cent in 1970, 5.5 per cent in 1971 and 22 per cent in 1973 as against barely 8 per cent in 1972. It is true that the unusual spurt in industrial activity all over the world was partly responsible for the spurt in unit values of trade. But it cannot be denied that floating rates also contributed to the unusual rise in unit values in 1973. Along with the spurt in units values, the rates of inflation are also accelerating the world over. And the phenomenon of worldwide inflation cannot be tackled except through co-operative effort under the aegis of a body like the IMF.

The IMF's annual report draws attention to the enormous disequilibrium in the world payments system, wholly unprecedented in size and character. It suggests that this needs a particular type of policy response on the part of the oil-importing countries as a group. The oil-induced deficit is a problem of a long-term nature as the oil exporting countries cannot in the foreseeable future increase their imports from the rest of the world so as to reduce their payments surplus. Some of the relatively sparsely populated countries like Kuwait or Saudi Arabia are unlikely in the next ten years or more to step up their imports to levels that would absorb their payments surpluses. Thus the surpluses of several oil exporting countries will remain undiminished for years to come and correspondingly the oil importing countries incurring payments deficits cannot hope to do away with these deficits except by passing them on to others. In this situation the recycling of funds from the surplus areas to the deficit ones assumes overwhelming importance. A failure in this regard would damage not only the relatively weak among the developed countries, like Italy, but also all the developing countries. This situation is a challenge to the IMF to prove its worth in a vastly changed world in which the relatively safe role which it played from its birth until 1971 has very limited scope.

Smugglers and MISA

Diversionary Operation

IT has been a rather well-orchestrated operation. First, the Minister of State for Finance took the rather unusual step of naming in Parliament the country's alleged three biggest smugglers. The Minister sketched an awesome picture of the power and influence of these persons which supposedly made it difficult for the government to take action against them and their activities under the existing laws. This set the stage for the amendment of MISA to bring smuggling within its ambit and helped to create the impression, when a handful of alleged leading smugglers were arrested under the amended MISA, that the government had performed a near-miraculous feat.

It is as if at one stroke two major criticisms of the government have been silenced. First, it could no longer be maintained that the government used the preventive detention laws only against its political opponents and not against those guilty of even the gravest economic crimes. Second, it may be suggested that the wind has also been taken out of the charge that the government, when it does act against economic offences, concentrates on the small fry — such ts retail traders or urchins 'smuggling' foodgrains into cities and towns in small bundlefuls — while letting the acknowledged pillars of the economic underworld go scot-free.

The timing of the government's supposed crack-down on smuggling is worth noting. About the scale of organised smuggling into the country there has never been any doubt, nor about the damage caused by it to the economy. All the same, at this juncture the most critical problem facing the government is a different one. It is that of the acute shortage of food and the prevalence of famine conditions over large parts of the country. Reports of starvation deaths and grim tales of the most precious possessions and even children being given away in exchange for food for a few days can be heard from all over the country. In many cases the sources of these reports are members of the ruling party themselves, including chief ministers and ministers.

It is also acknowledged that the present food situation is not the result primarily of any shortfall in output, but has arisen because the larger producers and traders are holding back stocks of foodgrains from the market to keep prices high and raise them further if possible. The government's preoccupation just now ought to be with forcing out these hoarded stocks. In fact, however, the government is acting like a helpless by-stander. In the circumstances, the suspicion is entirely permissible that the highly publicised operation against smuggling is intended to divert attention from the government's failure to alleviate famine and starvation and its unwillingness to bring to book those who have brought the country to this pass.

The action against smugglers, its diversionary character notwithstanding, may still have had some merit, if some impact were likely to be made on smuggling as a result. Unfortunately, there is nothing in the government's actions so far to suggest that this is likely to happen. All attention has been focused on the arrest of a few alleged smugglers under MISA. But unless the operation is extended to breaking up the organisations and networks that the alleged smugglers rely on for conduct-

ing their activities, their detention for even relatively long periods may leave their smuggling operations unaffected.

Ironically, what the operations against the smugglers have brought out is the influence that these persons enjoy in the highest political and police quarters. Thus, there has been the case of a non-bailable warrrant of arrest issued against one of them being mysteriously transformed into a bailable warrant and the person concerned being promptly released on bail. There is the other alleged smuggler who was arrested in Surat and released by the Baroda police on no more than a personal bond. Or, again, there is the case of the one who has so far, MISA notwithstanding, evaded being removed to jail or even to a government hospital on grounds of delicate health. After much cogitation, police officials are said to have decided against moving him to jail for fear that he might not be able to withstand the strain of the journey. It may be recalled that no such consideration was shown to the CPI(ML) leader, Charu Mazumdar, a known heart patient, who was allowed to die in police custody — not to mention the scores of cases in which so-called 'Naxalite' suspects and detenus have been deliberately left to bleed to death from injuries inflicted by the police.

Besides diverting attention from the countrywide famine, the government may have achieved something else as well by arresting a few alleged smugglers under MISA. Now it can plead that it cannot dispense with the DIR because if it did its efforts to combat an anti-social activity like smuggling would be set at nought.

Groundnut Export

No Thanks to GEEDA!

EXPORTS of groundnut extractions, at Rs 116.11 crores in the calendar year 1973, were the highest ever — 112 per cent higher than in 1972. Exports to the free foreign exchange areas accounted for 61 per cent of total exports in value and 59 per cent in volume, as against 43 and 42 per cent, respectively, in 1972. Also, apart from Japan where India already enjoys a 'monopolistic' position, the direction of exports was much more diversified in 1973, with the UK and West Europe absorbing nearly a third of the exports. The average unit value realisation for 1973 worked out to Rs 1,409 per tonne fob as compared to Rs 639 per tonne in 1972. But all this was by no means the result of "the organised and well disciplined efforts of the members" of the Groundnut Extractions Export Development Association (GEEDA), as the latest annual report of GEEDA claims.

In fact, India's export performance in groundnut extractions in 1973 was nothing short of a 'windfall', arising from the worldwide protein shortage. All oilcake exporting countries in the world gained from this shortage and India was no exception. Thus exports of the other extractions, such as cottonseed meal, linseed meal, etc, also improved. Indeed, the improvement in export performance was more impressive in oil meals other than groundnut. Thus in quantity terms, exports of cottonseed extractions doubled, and those of linseed extractions increased over five times, while exports of groundnut extractions declined — albeit marginally. GEEDA ascribes this decline to a smaller 'exportable surplus'.

That the export promotion 'efforts' have really had a negligible impact is evident from this year's export of groundnut extractions. Despite the larger exportable surplus out of the 1973-74 crop, exports during January-June 1974 totalled just 4.54 lakh tonnes — as against 4.84 lakh tonnes in the corresponding period last year. At the same time, exports to free currency areas have dropped in the first half of the current year to one-third of the total. In the so-called 'monopoly' market of Japan, exports dwindled to 78,500 tonnes from 1.40 lakh tonnes during the corresponding six months of the last year. And the Rupee Payment areas absorbed almost two-thirds of GEEDA's exports in the first half of this year.

The achievement in raising the unit value realisation too have been negligible since GEEDA was formed in 1969. Before 1969, groundnut meal almost invariably averaged a higher price than soyabean meal. Soyabean meal from the US (44 per cent) averaged $ 89 cif Rotterdam between 1966 and 1968, while groundnut meal (50 per cent) averaged $ 95 cif during the same period. Since then, despite the higher protein content of groundnut meal, their prices ran almost neck-to-neck till 1972. And in 1973 groundnut meal averaged $ 35 less than soyabean. Clearly, in achieving some diversification of the direction of exports, the unit value realisation on groundnut meal was made a casualty.

The protein crisis of 1973 may not be repeated this year. In the long run, it is essential to safeguard the unit values of exports, if export earnings are to be sustained without starving the domestic market. It should also be remembered that the processing margins of the solvent extraction industry are usually large and it is necessary to mobilise this 'surplus'. A state export agency could fix lower domestic prices for purchase of groundnut extractions from the industry, so that the prices of groundnut and groundnut oil in the country are held in check.

Hybrid Seeds

The Gold Rush

DURING the past few weeks there have been a number of reports about the poor quality of hybrid seeds in Maharashtra. There are three types of hybrid seeds widely used in Maharashtra, namely, hybrid bajra, hybrid jowar and hybrid cotton. Growing of hybrid seeds has become a valuable avenue of political largess.

Foundation seed is distributed by the zilla parishad at the district level to influential personages and the government guarantees the repurchase of the seed that is grown. The seed is certified by the State Seed Certification Authorities, processed by the zilla parishad and bought by the District Marketing Officer who is an employee of the Maharashtra State Co-operative Marketing Federation. The seed is usually purchased with zilla parishad money. It is stored on government account and then sold through the Block Development Officer and village level co-operative societies.

A grower of cereal seeds usually earns two or three times as much as the grain grower. He also gets a guaranteed supply of fertiliser. There is hardly any difference in the cost of cultivation of a seed crop and a regular crop. A grain crop yields on average 15 quintals per acre and a seed plot 5 quintals of seed and 3 quintals of grain. The price of seed is more than 10 times that of grain.

According to the Seeds Act, every bag of seed is required to bear the name of the producer so that in case of poor performance the source can be traced. In fact only the name of the zilla parishad is put on the bag. Last year, when there was a shortage of seed, empty bags were sold for as much as Rs 10 each and refilled with ordinary grain which was then sold as hybrid seed. There have been many complaints, but the police have not taken much note of them. The provision for guaranteed repurchase of seeds is again likely to land the government in a mess this year similar to the one that occurred in 1968 when over Rs 2 crores worth of seed had to be destroyed at great loss to the public exchequer.

The situation is worse with regard to hybrid cotton seed production. There are two hybrid cottons on the market at present: Gujarat Hybrid-4 also known as Sankar-4 and Varlakshmi. Hybrid-4 is the older variety and has been grown for the past few years. The government has guaranteed a price of Rs 60 per kg for the repurchase of this seed. Last year the guaranteed price was Rs 100. One acre under seed produces 300 to 500 kgs of seed on the average. The cost of production is Rs 25 per kg, leaving a margin of profit of between Rs 10,000 and Rs 20,000 per acre. Every important politician of the ruling party in Marathwada and Vidarbha has a seed plot. The Minister for Agriculture and the Chief Minister have been growing H-4 seed over large areas for the past few years. Last year 1.30 lakh kgs of seed was purchased on government account. Of this only 70,000 to 80,000 kgs have been used, despite the Department of Agriculture's all-out efforts to dispose of the seed. The carried-over stock of seed is kept in a MAFCO cold storage at high cost. This seed will be revalidated again and efforts made to sell it next year. The incentives offered by the government for purchasing H-4 seed this year included liberal fertiliser quotas. Many bought the seed only to get fertiliser for other crops. This year a further 2 lakh kgs of seed costing Rs 1.20 crores will be bought at government expense, ensuring attractive returns to the government's supporters.

The government has seen to it that H-4 is protected and encouraged under the monopoly procurement scheme. The guarantee (floor) price paid to the H-4 grower is Rs 410 per quintal for kapas, while the lint sells at between Rs 5,100 and Rs 5,700 per candy. By comparison, the floor price for Baramati Laxmi and Nimkar is Rs 350 per quintal for kapas, while the lint sells at between Rs 5,300 and Rs 5,400 per candy, according to current market quotations. Thus the final price for both cottons is about the same, but the H-4 grower gets more money at the time of delivery of the crop to the marketing federation.

A new source of patronage and profit for the political bigwigs is the new hybrid cotton variety, Varlakshmi, developed in Karnataka. The cost of seed production is the same as for H-4, but the Karnataka government last year purchased the seed on a guaranteed basis at Rs 400 per kg. This year many Maharashtra ministers, including the Chief Minister, are growing Varlakshmi seed. The government of Maharashtra is yet to declare a guaranteed repurchase price for Varlakshmi, but, needless to say, the price will be higher than that of H-4 since Varlakshmi is a superior variety of cotton. In Karnataka the distribution of seed plots was given over to the MLAs. Every Congress MLA is said to have been given 75 seed plots which he sold to farmers in his constituency at a premium of Rs 1,000 to as much as Rs 3,000 per plot. The quality of Varlakshmi cotton has deteriorated due to the poor quality of seed produced. This has resulted in a drop in price of the lint from around Rs 7,000-9,000 per candy to Rs 5,000-6,000. This is bound to affect the demand for the seed. So, to prevent an uproar from the grower's lobby, the government may once again have to buy up all the seed produced.

State Violence

No Law and Order Problem This

SUCH news tends to get lost in the melee these days. Earlier this month, there was some unrest among the wretched refugees huddling in the camp at Mana in Madhya Pradesh. A 'law and order' situation ensued; the police were 'compelled' to open fire on the refugees; and according to reports, four persons were killed in the firing — two of them, women. Readers of newspapers by now tend to cast a cursory glance at news of this kind, and pass on to more meaty matters.

The refugees from East Bengal, who had continued to come till 1964, have become an irritant. There has been a tendency to describe them as unrehabitable, and leave it at that. Some doles go their direction; too bad if they are not satisfied with these. A number of these refugees, sent to far-out places in Madhya Pradesh, Rajasthan, and Gujarat, have nurtured grievances about the niggardliness of the arrangements, and the complaints have increasingly received short shrift from the government. Following the emergence of Bangladesh, the East Pakistan refugees have become an even greater embarrassment to New Delhi. Official quarters indeed look forward to a situation where these people would simply make themselves scarce. New Delhi would claim that, within the limits of its capability, it has done enough for the non-Muslims who came away from East Bengal between 1947 and 1964; the nation's precious resources cannot be indefinitely frittered away on them.

And yet, something must be terribly wrong with administrative arrangements if physically emaciated women, women whose daily living is a grim nightmare, women uprooted from their soil for no particular fault of theirs except perhaps reposing an abiding faith in the rhetoric of Indian leaders of those days, can be restrained only by killing them off with police bullets. A certain pattern has by now emerged, a pattern which keeps repeating with exhausting monotony. Women prisoners lodge complaints about unspeakable tortures by the police in jails and lock-ups; the police deny the allegations; as far as the government is concerned, the matter ends there. At Mana, women are shot dead by the police; a few almost ritualistic protests are voiced by this or that politician; the police had to fire in self-defence say the government spokesmen; and, once more, the matter seemingly ends there. In Nagaland, armed sentries fire in the darkness against alleged 'intruders': a woman is subsequently discovered dead from gunshot wounds. So what, pass on to the next news item.

Even when the government has made up its mind that popular discontent must be met headlong, it should not be impossible in these days of galloping technological progress to improve upon the methodology of quelling civil disturbances. Tear gas might have had its day; but, in quite a number of foreign countries, water jets have been found to be substantially effective for restraining unruly mobs. There is absolutely no reason — unless it be that somebody might argue that this would mean a diversion of scarce water from irrigational use — for not trying out similar experiments in this country. Shooting to kill has to be the last resort of the police, not the first.

In this season particularly, this matter has an acute relevance. The unquiet months are upon us. With the developing shortage of food in the market, mass agitations are likely to itensify in the coming weeks. The Centre is unable to allot food to the states; but it is more than liberal in the allotment of CRP battalions. There could be more episodes, therefore, such as that at Mana, or in that Bihar township where a former minister, leading a crowd protesting against rising prices, was gunned down.

Tourist Pickings

Hansavivek

ITC, formerly India Tobacco, is diversifying its activities into the hotel and marine products businesses. It has obtained necessary government clearance for the establishment of hotels at Agra, Madras and Delhi. The hotel at Madras is at an advanced stage of completion and should be ready by the end of 1974. Land for the Agra hotel has been acquired and construction will commence soon. In Delhi, a good site has been located and design plans, etc, are in hand. The company expects to earn considerable foreign exchange and assist the growth of tourism by setting up these hotels. From a small beginning of Rs 73 lakhs in 1971-72, ITC raised its exports of marine products to Rs 430 lakhs in 1973-74. The company's plans for this business envisage the operation of a trawler fleet, the setting up of processing factories and cold storage facilities and exporting the finished products to sophisticated international markets like the USA, Japan, Western Europe and Australia. The company has received the licensing committee's approval for the setting up of three processing plants and has also been given an allotment of trawlers which are expected to be imported in the near future. ITC's general exports cover a wide variety of products such as paper/board products, myrobalam, leather goods, bicycles and bicycle parts, garments as also cigarettes and manufactured and blended cut tobaccos. The company is recognised as an 'eligible export house'. The sister concern, India Leaf Tobacco Development, is the principal supplier of unmanufactured tobacco and has a substantial business in exports. During 1973-74, its exports amounted to about Rs 20 crores.

During 1973-74, ITC showed good results with higher sales, margins and net earnings. The board recommended a total equity dividend of 15 per cent, against 14.5 per cent paid last year, but the final payment of 8 per cent had to be withdrawn owing to the restrictions on dividends. Over the year, production of cigarettes increased from 29,747 million to 34,583 million against the installed capacity of 40,839 million. Smoking tobacco production, however, was lower at 113,000 kgs against 185,000 kgs. The foreign shareholders have offered a part of their shareholding to the Indian public at par to enable the company to increase its Indian shareholding from 25.3 per cent to 40 per cent. Proposals have also been placed with the authorities to further increase the Indian shareholding to 60 per cent in the foreseeable future. Auditors were paid, apart from the usual audit fee of Rs 1,05,000, Rs 27,500 for taxation matters, Rs 15,245 for management services, Rs 9,225 for special certification, Rs 3,368 for provident fund audit and Rs 39,400 for reimbursement of expenses.

The Week's Companies (Rs in Lakhs)

	ITC		Polychem		GEC		Firth India	
	Latest Year 31-3-74	Last Year 31-3-73	Latest Year 31-3-74	Last Year 31-3-73	Latest Year 31-3-74	Last Year 31-3-73	Latest Year 31-3-74	Last Year 31-3-73
Paid-up capital	1895	1895	200	160	647	591	50	50
Reserves	1994	2028	407	347	413	354	50	43
Borrowings	1306	1311	79	39	387	387	84	44
of which Term Borrowings	460	480	—	—	200	216	84	38
Gross fixed assets	2574	2198	609	565	414	382	91	86
Net fixed assets	1617	1339	197	174	211	198	72	73
Investments	19	18	1	1	33	33	—	—
Current liabilities	2338	1041	80	129	2280	1708	35	12
Current assets	5897	4919	569	501	3480	2806	69	59
Stocks	4471	3806	181	140	1597	1071	33	37
Book debts	1326	907	381	354	1701	1563	26	19
Net sales	10459	9786	716	603	3749	3719	172	117
Other income	34	24	7	3	34	62	8	5
Raw material costs	7140	7058	274	227	2399	2422	103	68
Wages	1166	1005	70	61	586	627	24	16
Interest	31	63	3	4	33	47	5	3
Gross profit (+)/loss(—)	1057	634	162	154	261	157	29	19
Depreciation provision	122	109	21	23	21	20	4	3
Tax provision	543	292	75	75	170	105	13	7
Net profit (+)/loss(—)	392	233	66	56	70	32	12	9
Development rebate provision	24	17	1	3	3	1	1	—
Transfer to reserves	235	—61	46	24	13	—14	8	4
Dividend								
Amount	E 133	275	P 3 E 16	3 26	P — E 54	— 45	E 3	5
Rate (per cent)	E 7	14.50	P4.16 E9.70	4.16 24	P — E 9	— 8	E 7	10
Cover (times)	2.79	0.78	3.87	1.92	1.25	0.70	3.66	1.80
Ratios (per cent)								
Gross profit/sales	10.10	6.44	22.62	25.54	6.96	4.22	16.86	16.24
Net profit/capital employed	7.54	4.45	9.62	10.25	4.88	2.40	6.53	6.57
Inventories/sales	42.75	38.89	25.28	23.22	42.57	28.80	19.18	31.62
Wages/sales	11.15	10.27	9.77	10.11	15.63	16.86	13.95	13.67

POLYCHEM, after several years' effort, has obtained a letter of intent for annual manufacture of 2,000 tonnes of acrylonitrile butadiene styrene resins with *indigenous technology*. A pilot plant, based on laboratory scale know-how developed by the Sri Ram Institute and purchased through National Research and Development Corporation, is expected to be commissioned shortly. The company's production capacity of polystyrene has been increased from 10,000 tonnes to 16,000 tonnes per annum. A letter of intent for manufacture of vinyl acetate monomer and other related products is also being sought to further diversify the company's activities. As a result of research efforts, the company has developed new high-impact polystyrene formulations based on polybutadiene rubber. Plans have been announced for making polybutadiene rubber in the petrochemical complex at Koyali. The chairman, Ramdas Kilachand, however, feels that it will have to be imported till indigenous production commences. In June last, the company commissioned separate facilities for manufacture of country liquor at the alcohol distillery. This will ensure increased production of both Indian made foreign liquors and country liquors during the current year. During 1973-74, the company recorded satisfactory growth in sales of new products like divinyl benzene, neutral spirit and potable liquor. Net sales increased by about 19 per cent, but margins shrank and gross profit was only 5 per cent higher. This outcome occurred following the steep increase in all items of cost of production. The price of naphtha was increased thrice during the year, leading to a very high increase in prices of the main raw materials, benzene and ethylene. The company revised the sale prices of its polystyrene and styrene monomer products from April last. Direct exports of polystyrene have been banned since October 1973. Under the current import trade control policy for 1974-75, it has been stipulated that import licences for raw materials and components will be issued subject to the condition that 10 per cent of production of polystyrene for which the import licences are intended shall be set apart for distribution against release orders based on export performance.

GENERAL ELECTRIC COMPANY OF INDIA has marketed a new range of air circuit breakers and has also delivered higher capacity furnaces. Its erection department has entered new fields and secured an order for the electrification of a textile mill abroad. The inflow of export orders has been showing an upward trend and the current year is expected to scale a new peak in export orders. The merchanting division witnessed some deterioration in trading conditions last year, especially in lamp products, due to widespread power-cuts throughout the country. Also severe competition prevented the full recovery of higher manufacturing costs in this division. There was also a four-month strike in the two main factories. Even so, the company's financial results for the year ended March last have been quite encouraging, as reflected in a sharp rise in margins despite only a modest rise in net sales. The ratio of wages to sales were fractionally lower, while that of inventories to sales increased sharply though total borrowings remained unchanged and the amount of interest showed an appreciable decline over the year. The company has made several applications for manufacturing new products and expansion of output of the present range of products and soon expects decisions on them. The directors are also studying the implications for the company of the new Foreign Exchange Regulation Act, which came into force from January last. Meanwhile, applications have been made to obtain permission from RBI to continue its existing activities in India.

FIRTH (INDIA) STEEL experienced delay in the supply of major plant and machinery required for the alloy steel billet project being set up for making high speed and alloy steel billets. The arc furnace is now expected to be commissioned in November. Since the company had placed firm orders for most of the plant and machinery before December 1973, it will be able to claim the benefit of development rebate on a substantial portion of the plant and equipment. The major financial institutions have sanctioned term loans to the extent of Rs 230 lakhs for the project. The company also issued 9.8 per cent redeemable cumulative preference shares for Rs 30 lakhs and equity shares of Rs 50 lakhs at par to the existing shareholders. The company produced good results for the year to March last, with increased sales and earnings. In terms of tonnage of high speed and alloy steel processed in the works, there was an increase of about 100 per cent over the year. However, the availability of high speed billets continued to be difficult resulting in only 23 per cent utilisation of capacity. Production was greatly affected by the inadequate supply of furnace oil and power restrictions. In view of the restrictions on payment of dividends, the board has recommended a seven per cent distribution, the whole of which is expected to be exempt from tax. The ratio of inventories to sales showed considerable decline during the year.

THE TATA HYDEL GROUP, comprising Tata Power, Andhra Valley and Tata Hydro, is not paying any final dividend to equity shareholders, who have to be content this year with only 5 per cent interim distribution against a total of 13 per cent received by them last year. In the case of Tata Power and Tata Hydro, moreover, a small balance of preference dividends will also remain unpaid, since the Companies (Temporary Restrictions on Dividends) Ordinance has been replaced by an Act without providing any relief to the shareholders of electricity companies. The earnings and profitability of electricity undertakings have been regulated and restricted in terms of the provisions of the Electricity (Supply) Act, 1948. The managements of electricity companies, therefore, felt that further restrictions on the distribution of dividends to shareholders would be discriminatory and more onerous for electricity companies than for companies engaged in other industries. Representations were made through the Federation of Electricity Undertakings of India to government for suitable relaxation from the provisions of the fresh restrictions. In the hope that government would show some consideration to the difficulties of the shareholders of electricity companies when framing the Act to replace the Ordinance by the date of the annual general meetings of the three companies, the directors decided to recommend final dividends at the same rate as last year. But there was no response from the government and, accordingly, dividends have to be paid in accordance with the provisions of Act. The Act also prohibits payment of any interim dividends, which shareholders of electricity companies have been accustomed to for a long time, except with the approval of the Central government.

Calcutta Diary

A M

REMEMBER that title of the cheap American thriller, "Darling, It's Death"? It was a catchy, haunting title; and, suddenly, it is no more a title. As one looks around, it is death. To whom, in such sweet endearment, should one be conveying these tidings?

People are dying in the countryside, dying for lack of food, dying in their hundreds. Many who are not yet dead will be, in the course of the next few days or the next few weeks. Meanwhile, they put up a kind of whining resistance. They scrounge around, and eat whatever they can lay their hands on: grass, leaves, roots, stems, shrubbery. They collect a few dry branches and have a little fire, they collect a little water in an earthenware pot, they boil the roots or the grass. Call it gruel, call it glue, those who are starving will not quarrel over nomenclature. The glue may well be poison, but the poison works slowly; along with the poison, there is a little intake of calories. Man's urge to survive dies hard. There is no dignity in the manner people are collapsing in the villages, on railway platforms, on the way to the towns, in the towns. They do not stand upon dignity, they merely want to live. But, it is an unequal battle, they die. Calories are not for ever, certainly not for the poor.

True, it is not quite 1943, not yet. The scale of the tragedy is not a fraction of what it was three decades ago; again, not yet. But the pattern has a sharp resemblance: helpless people trekking townward, helpless people selling off their ration cards to the sharks for a morsel of food, helpless people disposing of their children — children whose swollen bellies and vacuous eyes are fearsome evidence of the calamity concocted in our times.

It is — or so it seems — all part of an arrangement; people are dying hardly because there is no food in the countryside. Going by records of production, there should be ample food lying around, but nobody sees the food; it is safely tucked away in godowns, away from the reach of the hungry. The food is not reachable to the poor, they cannot afford to pay the price for it. Even in the so-called 'surplus districts' of West Bengal — such as Birbhum — a kilo of rice will now fetch more than Rs 3 in a village; and wheat, only a little less. In a normal season, a daily worker, who has on the average four others to feed besides himself, is unable to earn more than Rs two a day — which today will not get him even two-thirds of a kilo of rice! Between the five of them, two-thirds of a kilo of cereals is grossly inadequate; but still, they would have managed to survive. In this lean season, between the sowing and the harvest, opportunities for work too are few and far between. This year, because of the waywardness of the rains, the scope for finding work has shrunk even further.

That inexorable auto-regression has hence set in motion. An able-bodied worker, who puts in a full day's work, may still earn two rupees at the end of the day. But those who are semi-starved are in no position to put in a full day's work. The economics of wage payments now takes over. A destitute farm labourer lands a job, but his output turns out to be less than satisfactory: the wages are hence cut back *pro rata*. The less he is able to work, the less he earns, and the less food there is for him and his family; the less food there is for him and his family, the less still is his capacity to work. Mercifully, the agony is soon ended; for, within a fortnight or thereabouts, of declining intakes and attempts to work, the moment comes when he is took weak to stir out in search of work. The family begins to starve, wholesale. After a while, the children are sold off, sometimes killed by the parents themselves — a lesser number of bodies to feed, a lesser number of bodies to starve.

It is a 'natural law' at work. When the avarice of the rich is beyond containment, and State power backs this avarice to the hilt, the poor have to die. In West Bengal alone, they are dying, as of this moment, in at least five thousand and odd villages of the fifteen districts of this state. This same great pantomine of death is being enacted and re-enacted, on a greater or smaller scale, in several villages in Assam, Orissa, Madhya Pradesh and Maharashtra too.

Those who are dying belong to the great Indian democracy; the adults amongst them each has a vote at election time; newspapers are full of hints that another such election is going to be ordered soon.

It is a nice, cosy, well-ordered society this. One is not supposed to use swear words in the neighbourhood; expressions such as 'murder in cold blood' are for expunction. And yet, deaths such as these are no normal deaths : landless labourers and their kith and kin are dying in their hundreds for the specific reason that they are unable to purchase food at the going market price. Prices have sky-rocketed in the course of a single year. Even official statistics, which are often fudged, will show that grain prices in many areas have leapt up by as much as 65 to 70 per cent over the year. This rise in prices is not reconcilable with the known facts about output.

West Bengal, for example, is in the heart of the kharif belt and, going by the gushing data released by the government, there has been a record production of kharif grains in the 1973-74 season. Since, very considerately, the authorities have desisted from procuring more than a negligible part of this output, the grains are all there — and in much greater quantity than about this time last year. But, there is the crux of it: the food is there, but not for those who do not have the purchasing power. The money incomes of the poor are not to be allowed to increase; but there is no such embargo on the price of food.

During all these months, grain prices have been raised, all the way, under the sponsorship of the government itself; inflation has been stoked by the kinds of things the government has done, as well as by the other kinds of things it has not done. It has raised support and procurement prices; it has winked at the banks merrily expanding their lines of credit to traders and rich farmers; it has wasted funds on programmes which are just so much alibi for handing over money to the same set of greedy people. It has been reluctant to procure. It has been reluctant to distribute food at cheap rates in the rural areas. This has been one grand strategy to annihilate the poor.

Starving people do not necessarily rise in revolt. They do not have the calorific strength for it. They are a decrepit lot, afraid to die, gripped by panic at the thought that, come tomorrow, they will be no longer alive. It is absurd to think of them as insurrectionary material. Others, who could have organised them, driven them to a fearful crescendo of righteous wrath, are equally dispirited. From the demure sidelines, or from prison, the watch, brooding over their past errors.

Meanwhile, chief ministers meet once more in New Delhi. As far as they and their friends are concerned, no holds are barred. Charge what the market will bear continues to be accepted law. The chief ministers, therefore meet and decide to raise prices of kharif grains some more. By this decision, they are ensuring that some more of this country's 'citizens' will die. In this so-called planned economy, everybody is for himself or herself; the ruling politicians are also for their near and dear ones — who make fortunes out of the deaths of ordinary people. It is all a matter of self-preservation and self-advancement. Thus those who are dying are dying because of an open conspiracy on the part of the rich who rule this land. Those who are dying have every right to bestir themselves against their murderers. It is the luck of the rulers — ministers included — that this prerogative is not being exercised by default.

CAPITAL VIEW

The Cut on Luck

Romesh Thapar

THE current situation is more bizarre than you think. Someone summed it up: plenty of gobar, but no gas. Probably, it is the cut on luck. On the one side, there is a steady reportage of famine signs at widely scattered points. On the other, the daily dose of ununderstandable economic and political analysis from the Prime Minister. I will not add the inevitable spice to the traditional kidgeree: a recent ministerial statement has it that we will be exporting foodgrains next year or by 1976! The gulf between reality and make-belief is so vast that the entire ruling elite needs the relaxation of meditation. As for commentators, they should, I suppose, attempt levitation.

At this moment of writing, a fairly reliable non-official estimate of the foodgrains shortfall is around 10 million tonnes — as against the official figure of four million tonnes. This colossal quantity will have to be imported. The Soviet Union, the guessing goes, will be persuaded to offer some four million tonnes as a grain loan. Kissinger will bring two million tonnes with him. A million tonnes has been contracted in Europe. And three million tonnes more will have to be bought, loaned, received as aid, demanded, etc, etc. Yes, the perspective is pretty grim when one adds to this picture the propensity of the trader to hoard, blackmarket and to deal in death.

What will be, will be. We have been blessed with incompetence and corruption at every level of food management. Now, we can only hope that there will be some rain to relieve the drought and some efficiency in handling relief, an efficiency at least comparable to earlier famine fighting operations. It is imperative that these operations be kept in readiness. It is necessary to say this because official chatter betrays a lack of crisis thinking. The people, in whose name the politician swears, are not being taken into confidence.

A passing check in the Capital reveals that on the free market good quality wheat is selling at Rs 5 per kilo and sugar at over Rs 8 per kilo. Sugar, of course, will disappear as it is a great earner of foreign exchange this year. We can do without it. But cereals cannot be left to the cynical play of traders and the like. Today, the situation is notable for its lack of campaigns to halt waste, to develop alternative food habits, to cut rice consumption in wheat-eating areas and wheat consumption in rice-eating areas, and to motivate the country for a long battle on food.

We have been living from year to year, hoping that the shortage will lift with a series of good monsoons. This criminal drift, a drift which affects all categories of thinking, has to be ended. It is time that the truth was drilled home that we are going to be living with shortages for the next decade, what with population booming and productivity declining. Let us not imagine that discipline and patriotism will suddenly descend from the heavens on this benighted subcontinent. In other words, a sensible plan for austere living, for rewarding the productive and sacking the inefficient the incompetent and corrupt, will have to be hammered out — that is, if the ruling elite remains democratic.

Indira Gandhi's invocations and meditations, together with warnings about the conspiracies being hatched against her, must be read against this background of a sharply deteriorating economic situation. Nothing can divert attention from it. Even atomic implosions turn into damp squibs. It is becoming embarrassingly clear to a bankrupt power hierarchy that India's future is now more than ever at the mercy of the "generosity" of the USSR and the USA, that relations with both will have to be carefully nurtured. And succour will be sought from every other giver: Iran? Iraq? Kuwait? Abu Dhabi? In fact, everyone on the scene.

It is a sad situation to be in but it throws up the most astonishing sideshows. Witness US Ambassador Moynihan's carefully worded cable to Kissinger about Indira Gandhi's fears of Chile-like intervention in India. Unless Ambassador Moynihan is playing for a recall from the political desert that is India, it appears that the cable is a skilful ploy to provide the excuse for elaborating a new Indo-US relationship. We'll know very soon.

As every nation in this crisis-ridden world begins to take a long look at itself, India that is Bharat is content to wallow in the cliches of the *status quo*. This frightening faith in *mantrams* will exact a terrible debt. It is said that there is no alternative to the present leadership. Then how does one compel this leadership to act? This the central question, even as Indira Gandhi publicly mentions the 1976 general elections and appoints the now well known Yashpal Kapoor as the teacher and guide of party ranks!

Tailpiece: A published, alleged quote from Haji Mastan : "I know many political beggars who shower abuse on me in the light of the day and call me the vilest names but come with a begging-bowl to me in the darkness of the night clandestinely. They beg me to give them money for elections. At that time their faces are worth seeing and the facade of their moral loftiness, gentlemanliness and honesty is shattered. I smile at their cunningness in the heart of my heart after filling their bowls with alms. Among those who come to me in the dark, there are some big leaders and respected elders and there will be a political explosion if I reveal their names. They include Congressmen, Communists, Socialists and Muslim Leaguers. Some people fight and win elections at my expense and become Ministers. But they start abusing me the very next day in order to make a show of their gentlemanliness and integrity to the world. God knows, I have no complaint against them as I know this is the way of the world and the business of the world goes on like that ...".

Who is Haji Mastan? If you don't know, it's about time you found out.

September 16

FROM OUR CORRESPONDENTS

NEW DELHI

No Money for Development Projects

B M

THE Secretary in the Ministry of Petroleum and Chemicals, heading the Department of Chemicals, last week called journalists to a special briefing to take the Press into confidence on the snags that have developed in the implementation of the high priority fertiliser programme. The stunning disclosure that he made on the occasion was that it was no longer the availability of foreign credits which now stood in the way of launching fertiliser projects. The real hurdle was the paucity of rupee resources. The Finance Ministry had made it clear that it was unable to provide funds for the Paradip fertiliser project for which French credits to cover the foreign exchange cost had already been arranged. The beginning of work on the project will, therefore, have to be postponed till April next. The mention of April in this case, as also in several other cases, is a camouflage; it merely means that the question will be considered when the next year's budget is framed.

The Secretary in the Ministry of Petroleum and Chemicals made the further extraordinary suggestion that some way would have to be found to persuade foreign sources to finance not only the foreign exchange expenditure on these projects but also their local costs. He hinted that the oil producing countries might be approached for this purpose. One used to hear of extremely backward countries, like Nepal, making similar pleas way back in the sixties when foreign credits were offered to them — that they were unable to raise matching domestic resources to take advantage of the foreign aid. The aid-givers, therefore, sent them all kinds of fancy consumer goods — from fountain pens to cars — for sale in their home markets to help raise internal resources. After 25 years of planned economic development we seem to be sliding down to a similar position.

The situation is not an entirely new one. The prolonged dependence on PL 480 foodgrain imports, after all, not only gave foodgrains for current consumption but also provided sizeable budgetary support. Though PL 480 aid in its original form has been ended, new forms of similar assistance have been received in the last two years. The two million tonne Soviet Wheat loan and Rs 190 crores worth of crude oil credits serve the same purpose of providing budgetary crutches. The idea evidently is to extend the range and expand the quantum of such assistance. Great hopes are pinned on an additional wheat loan from the Soviet Union, on foodgrain imports on deferred payment basis from the US and other Western countries and on additional accommodation from the oil producing countries.

While all development is thus halted and a desperate search is on for foreign support to keep the country afloat, the foreign exchange situation is far from easy. The propaganda about the successes on the export front notwithstanding, the balance of payments position is becoming desperate. The latest exercises show that as against the estimate of Rs 3,100 crores made earlier in the year, imports this year will be around Rs 4,000 crores. Export earnings, on the other hand, are expected to touch Rs 2,600 crores at the very most, leaving a trade gap of Rs 1,400 crores. The primary reason for the higher imports is the larger requirement of foodgrain imports which are now estimated to be of the order of Rs 700 crores. An additional Rs 100 crores each is required for fertiliser and crude oil imports. The total import bill for crude oil, fertilisers and foodgrains adds up to Rs 2,400 crores and this is considered inflexible. The figure of all other imports is placed at about Rs 1,550 crores. Here some economies are contemplated. But nothing definite has yet emerged.

Foreign aid in sight is expected to fill the gap between imports and exports earnings to the extent of Rs 800 crores. This includes Rs 190 crores of oil credits, Rs 250 crores of net aid flow from the Western countries and drawals of Rs 350 crores already made from the IMF in three instalments. For the rest, hopes are placed on the US relenting and releasing sizeable aid. The IMF may have to be approached for additional accommodation, if overtures to the US do not succeed. The Planning Minister's current visit to Moscow — to prepare the ground for which no less a person than the Foreign Minister had earlier made a dash to the Soviet Union — is also regarded as crucial in this respect. If the Soviet Union comes forward with another wheat loan of 2 to 3 million tonnes, the need to import foodgrains from other sources will be correspondingly reduced. A long shopping list of other requirements, including fertilisers and ferrous and non-ferrous metals, has also been carried to Moscow. To the extent to which the Russians meet these requirements the strain on foreign exchange for financing imports from Western sources will be eased; but to the extent the gap still remains, after all efforts to fill it by soliciting more aid from every quarter has been made, the figure of Rs 1,550 crores of imports other than crude, fertilisers and foodgrains will have to be slashed. Here again the idea is not to cut maintenance imports as far as possible. The axe will fall on new projects which will have to be postponed to save on imports. The logic is the same here as has been in the use of domestic resources: new investment can be dispensed with till happier days are here again.

Development is thus being strangulated by paucity of both rupee resources as well as foreign exchange. The effects of this are beginning to show. Heavy engineering industries have been doing well for the last two years or so. This was probably the only bright spot in the otherwise gloomy economic picture. These industries are now going to be hit hard by lack of demand. With the steel expansion programme virtually at a standstill, the Heavy Engineering Corporation is confronted with a situation where it has nothing on its order books beyond 1975. And even if the steel programme is revived next year or the year after next, the HEC will then be criticised for its inability to meet the demand for equipment and machinery and new pressures will be mounted for allowing imports of these. It is not only the steel programme which has been slowed down. Several other projects, including the Mathura refinery, are being put in cold storage. The Planning Commission's long awaited exercise of updating the Fifth Plan has become an exercise in pruning Plan targets on a wide front. Recessionary tendencies are, therefore, beginning to affect the working of many engineering units, among them those taken over by the Heavy Industry Ministry in the past two years. These units had been nursed back to health with efficient management and use of resources. They are now facing the prospect of sinking back into sickness. The situation is indeed getting to be far more grim than during the three years of Plan holiday in the sixties.

NORTH

Culmination of a Set Drama

THE traders have again successfully and indirectly pressed the Punjab government into abject surrender. In the last week of August, grocers and other retailers in most Punjab towns closed down their shops in protest against the Centre's bill for checking adulteration and the state government's independent measures to seize samples for checking on impurities. Things came to a head when two Ferozepur retailers were arrested for having obstructed the Health Department staff's attempts to seize samples as part of the anti-adulteration campaign. Grocers started 'dharnas' and 'hartals', demanding the release of the arrested and the withdrawal of cases against them. The state government buckled under, on the pretext that the hartal was causing great inconvenience to consumers. On August 29, it decided to drop the cases against the arrested traders. Thus the government's anti-adulteration campaign lost much of its force as it was clear that no action was to be taken against the offenders.

Partly in response to the threat posed earlier by the anti-adulteration campaign, and partly in an attempt to publicly establish their own *bona fides*, a deputation of the Uttar Bharat Kiryana merchants assured full co-operation to the government in its anti-adulteration drive. They contended that the arrest of the two Ferozepur traders was the result of 'misunderstanding'. Indeed, the Retail Kiryana Ration Committee of Jammu went so far as to suggest the death penalty for those found "really guilty of adulteration after scientific investigation". The committee also suggested several other measures. Finally, it demanded protection against unscrupulous producers!

There are, of course, clearly contrived loopholes in the retailers' list of suggestions. First, the retail shopkeepers of edible commodities are demanding from government a warranty to be arranged from the producers and wholesalers for all the goods they supply them. They further demand an end to all raids on shops by the Police and Food Department squads: these raids on them, they claim, are 'unjustified' in the absence of any warranty of the purity of goods supplied to them by wholesalers and distributors. Moreover, the shopkeepers insist that 'sub-standard' goods should not be considered 'adulterated' because "sub-standard quality is caused by several factors — such as seed, manure, soil, weather conditions, etc". They also demand mobile laboratories to conduct on-the-spot tests of commodities, since at present the retailers have "no ready means to ascertain the purity or impurity of the articles they agree to sell".

While the retailers are thus apparently passing the buck onto the wholesalers and producers — though the public seems not too convinced by the retailers' postures of innocence — the success of the retailers *vis-a-vis* the government has also afforded protection to the wholesalers and producers. In sum, the Punjab government has hurriedly climbed down from its high horse of 'anxiety for the consuming people' in order not to offend another important and more powerful section of the electorate.

Meanwhile, Jan Sangh leader Baldev Parkash — MLA and convenor of the Punjab non-CPI Opposition Front — has appointed district convenors for a signature-collecting campaign against the Zail Singh government. The Front proposes to collect about 40 lakh signatures on a giant petition to be presented to the Governor for dismissal of Zail Singh and his ministry. While the signature campaign is known to be a futile gesture in the context of the comfortable majority that Zail Singh commands in the Assembly, it will certainly aggravate some of the administrative hurdles which have complicated his task and will further slow down the tempo of economic development. Officials and inter-departmental wrangles have created awkward situations; the Finance Ministry has been trying lately to discipline the other Departments by insisting on prescribed procedures. It was the Planning Commission that initiated the process by sanctioning only Rs 2 crores in place of the Rs 10 crores sought by the state government for sinking about 1,000 tubewells near the Indian embankments of the Sutlej and Ravi rivers which border on Pakistan as part of the effort to bring an additional 1,60,000 hectares under cultivation during the next rabi season. What made matters worse was that half the sanctioned sum was diverted by the Punjab State Planning Board to other purposes. Finally, a few days ago, the state government imposed an-across-the-board cut of 10 per cent on all expenditures.

In Haryana, on the other hand, Chief Minister Bansi Lal's tenure was further underwritten by the Prime Minister when, during her visit to Ambala, she complimented him on the constructive work he had done to put the state on its feet. District officials had taken good care during the visit to see that village functionaries who had arrived in Ambala from the neighbouring areas and other spokesmen of the aggrieved public did not get anywhere near the Prime Minister. Consequently, no voice of dissent or complaint was heard; the Prime Minister apparently went away with the impression that Haryana is a happy, contented state, with Bansi Lal in full command of the situation.

The publicised purpose of Indira Gandhi's visit — to boost food production — remained largely unfulfilled, however. The monsoons have failed in Haryana this year, the distressing power cuts continue, and there is a shortage of fertilisers. The state authorities, therefore, are worried over the bleak prospects of the kharif ouptut. The irrigation sources too being meagre, this year's crop shortfalls may be unusually large.

While many cases of nepotism and irregularities at various levels have been successfully hushed up in Haryana, the recent wheat scandal has not remained a secret. The illicit gains, estimated at Rs 30-50 lakhs, seem to have been rationed among Food Corporation and Haryana Food Department officials, secretaries of marketing committees, rich farmers, and of course wheat traders. No doubt, the lack of proper supervision and the inefficiency of the Food Ministry itself created the opportunities for such misappropriation. But as always, the consumer will have to pay, in terms of even higher prices for the wheat.

BIHAR

Politicisation of Middle Class Youth

Narendra Panjwani

BIHAR is among the poorest states in the country. It has half the country's mineral resources, two big steel plants and several engineering and cement factories. Yet its per capita income is Rs 402 (1969-70 figure), the lowest in the country. Two-thirds of the state's 60 million people live below the poverty line. The stranglehold of feudalism on Bihar's people is revealed by the fact that even though 90 per cent of them subsist on agriculture, Bihar is deficit in foodgrains.

The communist parties, CPI and CPM, have for long been a strong force in Bihar politics. Two districts, Purnea and Mushahari, have been and continue to be the scene of 'Naxalite' struggles against landlords and the government. Bihar also has a tradition of middle class radicalism due to the work done by the Socialist party, which had reached the height of its influence under the late Ram Manohar Lohia, and the CPI.

Food Crisis

The food situation in Bihar had assumed crisis proportions by the last week of December 1973 and newspapers were filled with reports of starvation deaths, looting of grain shops and hoarding and smuggling of large quantities of foodgrains out of the state. The Madhubani bye-election to the assembly, in which the Congress candidate was the Chief Minister, Abdul Ghafoor, was fast approaching. Ghafoor, therefore, became especially vociferous in his condemnation of hoarders and blackmarketeers. Meanwhile large numbers of students were finding it difficult to continue their studies due to the shortage of food in their hostel messes and canteens.

The CPM, along with some Marxist-Leninist groups, organised a militant demonstration on the night of January 1 and a Patna Bandh the next day which, according to reports, was partially successful. Sensing the popular mood and perhaps afraid that the initiative might pass out of their hands, the CPI and the Jan Sangh speeded up their preparations for a campaign against rising prices and the food shortage.

On January 13, the *Indian Nation* published an article titled 'Onward to People's Democracy' by Jayaprakash Narayan. After invoking M N Roy, Gandhi, Annie Besant and Chittaranjan Das, JP came to his plan: "I urge that we turn our attention more and more to the people including the intellectual elite and youth and suggest programmes of action, both of constructive and self-help nature as well as of combative, coercive and non-cooperation nature ... I wish to issue a call to build an alternative type of democracy ... My call to the country's youth is to seize this favourable opportunity and play the revolutionary role that the present age demands of them. Young men and women pick up this torch and march on. Destiny beckons you. Success awaits you."

On January 19, a local newspaper carried the following report: "The Patna University Students' Union at its cabinet meeting on January 16 decided to gherao the District Magistrate on January 23, if adequate supply of foodgrains, oil, etc, was not restored by January 22. They expressed anxiety over the closure of many messes of the university due to the non-supply of foodgrains. It was also decided that Smt Chandra Panday, a cabinet member of the PUSU, would launch a fast unto death from January 23 to press the union's demands."

A large meeting of students was organised by some "local enthusiasts" in the Patna University campus, under the joint auspices of the Tarun Shanti Sena (Sarvodaya youth front) and PUSU on January 22. It was addressed by JP who saw "dangers to democracy" all around him and strongly criticised the present system of government for having failed to deliver the goods. A second such meeting on February 1 heard JP deliver his blueprint for action, containing suggestions for a massive campaign aimed at changing everything, including the government, to usher in "total revolution" and calling upon students to give up their studies for a year if necessary.

Meanwhile the CPI had given a call for a Bihar Bandh on January 21. The pro-CPI federation of University Teachers, at an emergency meeting on January 16, called upon its members to make the bandh a success. Significantly, the pro-CPI All-India Students' Federation elected a student leader from Bihar as its President at the end of a conference in Cochin on January 18. A Samyukta Sangharsha Samiti, consisting of CPI, Jan Sangh, SSP, Congress(O) and CPM elements was formed around this time. The basis of its formation was a broad agreement on demands and on joint efforts to make the Bihar Bandh a success.

In Muzaffarpur, dissident Congress declared that a government which was unable to supply foodgrains to the people did not deserve to remain in office. On January 20 the Bharatiya Krantikari Yuvak Sangh (an RSS youth front) passed the following resolution: "We urge the President of India to immediately dismiss the Bihar ministry and impose President's Rule ... unless this is done the whole state would soon be engulfed in food riots as in some other states ...". The reference was obviously to Gujarat where the agitation in which the Jan Sangh had been active was beginning to spread. On the same day, Ramnandan Singh, the Sarvodaya leader, expressed support to the bandh.

After reporting the "complete success" of Bihar Bandh, the *Indian Nation* of January 22 said in its editorial: "The Samyukta Sangharsh Samiti will do a great service to the state by rousing peacefully the political will to stem the crisis ... drawing lessons from the anti-price rise stir in Gujarat ... the sponsors of the Bandh should see to that it does not create more difficulties for the people."

Two United Fronts

Young activists of the various parties comprising the Samyukta Sangharsh Samiti organised a convention of more than 300 student leaders from colleges all over the state. In the course of discussions, violent disagreements arose over the formulation of demands and strategy, resulting in the formation of two united fronts: one led by CPI, CPM, and groups of the CPM and called the Chhatra Navjawan Sangharsh Morcha and another called the Chhatra Sangharsh Samiti led by students from the remaining parties plus some unattached students. Both decided to campaign broadly for the same demands, but separately.

Chief Minister Ghafoor was reported to have said on March 17 that Anandmargis had come to Bihar from outside the state to create trouble. The Collector of Patna stated in a press statement that in a raid on an office of the Anandmargis on March 26, six Anandmargis who had come to Patna from Calcutta on March 14 had been arrested. Some arms had also been recovered from the office. On March 16 Atal Behari Vajpayee accompanied by three Jan Sangh MLAs met Prabhat Ranjan Sarkar, Anandmarg chief, in Patna jail. CPI reports claimed that an official of the American Embassy had also arrived in Patna on that day.

This was how the clouds had gathered, and when they burst over Patna on March 18 the section most bewildered were those who were apparently in the forefront of it all — the students. "I just can't understand how it all happened. None of us had planned to burn or loot anything", said one student from Patna. Mahesh Tiwari, a student from Ranchi who had also participated in the March 18 incident, was convinced that "it was the work of hired professionals and goondas. Later on when we were running away from the bullets I did see some students also throwing stones and looting shops but never setting fire to anything. You can't just burn any place — you need to have made extensive preparations. There were so many strange things which happened that day. In the following days I spoke to many students from different parts and we have all come to the conclusion that it was initiated and done mainly by the goondas."

S K Singh, a young doctor added: "There was something very professional in the way they burnt things. At one point I saw three bearded men — not looking like students at all — got off a rickshaw, turn a corner, enter a shop or something and in less than two minutes there were flames leaping all around and they were nowhere to be seen! Near the Assembly I saw similar oldish looking people who deliberately threw stones in spite of being told not to by the student leaders who were in front. Having succeeded in causing confusion and provoking the police to open fire, they disappeared."

Between 30 and 40 persons were killed and many more injured in the melee that ensued. This incident served to inflame the people of Patna and generate mass sympathy for the students. The first procession to be taken out a few days after this incident was that of some 5,000 women from Patna and the neighbouring towns. That women should lead the way in political activity in one of our most feudal states was remarkable. Dr Veena Shrivastava, wife of a prominent Jan Sangh member and herself an active sympathiser, is the secretary of the Nari Mandal which had organised this process. She explained: "Well you see, we had begun organising the women some weeks prior to the March 18 incident ... Why? Because it was planned this way. There are some forces who had planned so that the spark would be provided by the students, the women would be next, then another section and so on ...".

JP's Entry

Not surprisingly, soon after this some of the student leaders turned to Jayaprakash Narayan for guidance and leadership. After much hesitation and reluctance, he agreed. The BSF and CRP massacre at Gaya on April 12, in which more than 100 persons are said to have been killed was, in the words of some eye-witnesses, "reminiscent of Bangladesh". More people had been killed in Bihar in three weeks than had been killed in the whole three-month Gujarat movement. Blood and anger, JP's non-violent crusader image, the backstage manipulations of political parties, and the students' energy combined to mobilise most sections of the middle class and Chhatra Sangharsh Samitis, Nari Mandals and Jan Sangharsh Samitis sprang up in many parts of Bihar.

This torrent of energy spontaneously released overflowed the channels created by the political parties and Jayaprakash at many points, but never breached them. Painters, poets, playwrights, politicians, intellectuals and teachers came out on the streets with the intention of making their distinctive contribution to 'rousing the masses' along with participating as common citizens. Teachers organised open-air classes, attended by hundreds of students and others. They spoke of the distorted and partial history taught in our classrooms — particularly the history of our Independence struggle of the exclusion of many important truths from textbooks and of what was wrong with the present education system. Five teachers have so far been arrested under MISA. One of Bihar's leading Leftist poets, Nagarjun, is on the run and the police are looking for him. A large number of persons have been arrested under MISA for making speeches at street corners.

The agitational programmes put forward from Patna — the political centre of the movement — were acted upon with much vigour and effectiveness in the mofussil towns. Regarding the future, there was one answer this writer got from almost every student however critical he or she might be of the present state of the movement: "whatever may happen, even if all the political parties ask us to call it off, even if JP asks us to call it off, we shall continue and the movement will continue until our demands are met".

Student opinion and consciousness could roughly be classified into four categories: those whose agreement with JP's programmes is based on idol worship rather than on critical understanding; those who profess total agreement in the hope of material gains through political power; those who are critical of JP's authoritarian methods, vague programmes and deceptive promises, but agree with the need for a mass movement to politicise the middle class; and those who belong to the CPI camp and disagree with the present objectives of the movement and consider JP a representative of reactionary, fascist forces. The largest number of students belong to the first category. The next largest number belongs to the third category.

Criticism of JP and the top leaders is now increasingly heard. The teachers' grievance is that he has not considered their problems while formulating his programme for the one-year boycott of colleges. If there are no students, no tuition fees will be collected by the colleges, and that means they will not get any salaries. As it is, payment of salary to teachers is very irregular. "And now he has called upon school students to also boycott all classes", exclaimed Vinod Kumar, a college lecturer.

Questionable Leadership

Students from outside Patna complain that in spite of repeated requests, there is still no district-wise representation on the Bihar Rajya Chhatra Sangharsh Samiti — the main decision-making body. "The programmes and instructions come from the top and we have to act according to them irrespective of whether they are feasible or not, whether we agree with them or not", said Manohar Prasad from Monghyr.

"These student leaders of ours are themselves corrupt — how then can they weed out corruption?" Two of the top leaders have criminal cases pending against them involving murder and rape. The father of another student leader is alleged to be one of Bihar's biggest landlords and blackmarketeers. These people extorted large sums of money from shopkeepers and hoteliers as 'contributions' to the Chhatra Sangharsh Samitis. "And such is their reputation that most students do not even dare to ask for accounts", added a young teacher.

Wishing to confirm these charges, I asked Arun Tapasvi, a member of the Patna Town Action Committee. His reply: "Yes, that is so. But most students outside Patna don't know them so well. When some of us informally

pointed out to JP that he is surrounded by goondas in his Samiti and three persons were named in particular, he asked us not to worry since none of them could force a decision upon him and that he was exerting himself to bring about a change of heart in them through daily association with him. Well, if that is the case then why are we bothering with a mass movement at all? JP could induct Ghafoor and Indira Gandhi into the Samiti and change their hearts!"

The nature of the relationship between the Chhatra Sangharsh Samiti and JP provides an important clue to the direction in which the Bihar movement is heading and the kind of changes it is likely to bring in the event of success. Arun Tapasvi, who has met JP a few times with other student leaders, had this to say: "He is usually too busy to meet most of us. Only the selected few have free access to him. And I have seen that everytime these leaders enter his room they first go and touch his feet, and address him as 'Babuji' whenever they work up the courage to say something to him. Though he has sometimes taken our suggestions, I must say that most of these meetings consist of monologues by the Great Leader."

According to a cabinet member of the PUSU, "During a conversation in jail with one of our leaders, I remarked that he had now become a big man, that he had been arrested under nothing less than MISA and that too had been done by the Superintendent of Police — not an ordinary constable. He replied: 'Don't worry, when I become a minister you shall be well looked after too.' As if to confirm my worst fears they announced a few days ago that the Chhatra Sangharsh Samiti would be fielding candidates for election after the present Assembly was dissolved."

Workers and peasants have played very little part in the Bihar movement, apart from the January 21 Bihar Bandh, in which nearly 500 trade unions and associations participated, plus a few scattered solidarity processions. Most rickshaw-pullers in Patna and Ranchi did not seem to know what all this turmoil was about. Those who did wanted to know what was in it for them. While addressing the factory workers of Ranchi and Jamshedpur, JP explicitly asked them *not* to join actively in the movement as it would jeopardise their jobs and their families. He asked them instead to give financial and moral support to the youth who were participating.

When the Patna Town Action Committee decided to organise a Patna Bandh on May 8 to support the Railwaymen's strike on their own initiative, they were severely rebuffed by the Sarvodaya leaders whom JP had left in charge of the movement during his absence. They argued that the strike was unjustified and harmful to the nation. Not deterred, the Committee went ahead and organised a bandh which was successful. The leadership retaliated by de-recognising the Committee and relations between the two have been strained ever since.

Different Objectives

The success of the movement means different things to the different sections involved. And this is where the purpose of the groundwork done by political parties like the Jan Sangh, the Congress(O), SSP, and others becomes clear. For them success means a re-election and yet another attempt at grabbing political power. The Jan Sangh President, L K Advani, has already declared that students should boycott their classes only until the Assembly is dissolved. If the move for dissolving the Bihar Assembly succeeds, we can expect that parliamentary opposition parties (particularly those of the Right) would intensify their efforts to build up more such mass movements in other states.

Success to JP and the Sarvodayists would mean more youths joining the Tarun Shanti Sena or any of their other organisations whose number increases every year. The purpose of these organisations is to maintain 'peace' between destitute peasants and those who have plundered them, to postpone a social revolution, to prevent small peasants and agricultural workers from uniting and wresting back their land as a matter of right.

For the majority of students, success means change to a nebulous new social order in which corruption would be a little less rampant, where ministers and MLAs would be a little more honest, where prices would not soar so high, where education would not be such a burden and would be more related to the country's problems and where the educated would not be unemployed. They are prepared to follow anyone who promised them these reforms in a short time and without too much sacrifice of their careers or lives.

There is, however, a small section whose aim is to radicalise middle class youth through the process of struggling against the government and coming to realise whom it serves and protects most and whom it fears most. Success to them would mean the largest possible number of youth coming to view the present movement as a lesson in politics.

FOOD SITUATION

Despair and Desperation

(From a Special Correspondent)

THE food situation has become desperate. The management of the food economy is in a shambles. The concurrence of the Union Government with the Maharashtra Government's decision to lift the ceiling price on wheat has sharply underlined this. The elaborate price controls and restrictions on movement of foodgrains have become irrelevant. The stocks with the government are altogether inadequate to meet the demands of the public distribution system in the lean period before the kharif harvest. In spite of slashing the monthly releases from Central stocks to the states to around five lakh tonnes, the Centre had a stock of hardly four million tonnes at the beginning of July. A part of this has since been exhausted and there has been hardly any replenishment either by domestic procurement or imports. Total stocks with the Centre and states together add up to only about 3.3 million tonnes at present. Meanwhile, the drought and floods in many parts of the country have aggravated the situation of general scarcity and spiralling prices. Reports of mass destitution and starvation deaths are coming in from different areas. But the government appears to be a helpless onlooker, unable to do anything to mitigate the sufferings of large masses of the people.

The conference of chief ministers on September 14 and 15 to consider the kharif procurement policy and prices was thus meeting in far more difficult and critical circumstances than at any time in the past. The position of the state chief ministers is fairly clear. They all want a steep increase in the procurement price of paddy, comparable to what they secured for the last rabi crop. In their discussions with the Agricultural Prices Commission, Punjab and Haryana government officials had asked for a price of Rs 100 per quintal of paddy, or an increase of Rs 30 per quintal over last year's price. Besides the usual argument about increased costs of inputs, the demand for such a steep rise in procurement prices is justified on the ground that sufficient procurement will not be possible without use of the price incentive. The Central government is placed in an awkward position by this stand of the state governments. There is even a move among Central officials to put off taking any decision on price and procurement policies for the kharif cereals for the time being — on the ground that the crop position is still uncertain.

The Agricultural Prices Commission must, however, be complimented for having shown courage in this difficult situation. Its report on kharif procurement and price policy is forthright. The Commission probably realised that giving in to the pressure of the rich farmer lobby, as it had done last year in respect of rabi prices and procurement, does not anyhow work. While the Commission had then agreed to a sizeable increase in procurement prices of wheat and had refrained from suggesting any target of procurement, the chief ministers used its report as the starting point for finally securing double the increase in wheat procurement prices recommended by the APC. The same thing had happened in the kharif season last year. The panicky decision to abandon the wheat trade take-over and to permit wholesalers to re-enter the markets was also used to bring about the virtual collapse of procurement by the public agencies. The APC, therefore, decided to put the position with regard to procurement and prices squarely before the government. The onus is now on the Central and state governments for any decisions that they may take in disregard of the APC's recommendations.

The basic proposition that the APC has advanced in its report is that there should be the utmost restraint in raising administered prices if inflation in the economy is to be checked at all. This proposition has a more general validity than only in respect of prices of paddy and other kharif foodgrains. According to the APC, an important part of the rise in the general level of prices is the direct result of upward revision of administered prices all round. In advancing this important proposition, the APC has examined the question of foodgrain prices in a forthright and convincing manner.

The APC points out that the increase in foodgrain prices during the 1973-74 agricultural year was double that in the previous year, being 35.6 per cent compared to 18.8 per cent. This could not be blamed on the vagaries of nature alone. Nor is the expansion of money supply an adequate explanation for the steep rise in foodgrain prices. According to the APC, the successive increases in the procurement price for last year's kharif crop and the rabi crop this year, followed by the sharp increase in the issue prices of foodgrains from the public distribution system, gave the main push to the price spiral. These measures also encouraged hoarding by private trade and holding back of stocks by surplus farmers. The APC has, therefore, firmly rejected the demand for a further increase in the kharif procurement price for paddy to Rs 100 per quintal. Were this demand to be accepted, the APC warns, the increase in the procurement price of paddy would be as much as 85 per cent in just 24 months — from Rs 54 to Rs 100.

The APC has also sharply debunked the propaganda about the higher cost of production. It points out that the increase of Rs 7 per quintal in the procurement price of paddy last year granted by the government over what it had recommended (Rs 63 per quintal) more than compensated for the increase in the prices of inputs such as fertilisers. The APC, therefore, feels that only a modest increase of Rs 4, from Rs 70 per quintal to Rs 74, is all that needs to be allowed in the procurement price of paddy in the coming kharif season. It has also proposed a target of procurement of 5 mn tonnes of paddy and 1.5 mn tonnes of kharif coarse cereals. The APC evidently holds that organisational effort is far more important for getting results in procurement than higher and higher incentive prices for the surplus producers. In this context, its observation that a radical change in the entire agricultural strategy has become necessary is of much significance. The APC is evidently questioning the soundness of the 'new agricultural strategy' launched in 1966, which has failed to solve the problems of either production or marketing of foodgrains.

But here lies the rub. C Subramaniam, who now holds temporary charge of the Food and Agriculture portfolio, is expected to be confirmed in this office in the coming Cabinet reshuffle. And Subramaniam is the proud father of the strategy of relying on rich farmers to secure marketable surpluses through provision of subsidised inputs and incentive prices. It is not to be expected that he will change this strategy in any way. It is not without significance that probably the first important initiative he took after assuming temporary charge of the ministry was to hold a conference of representatives of rich farmers — most of them holding 300 acres and more, ceiling laws notwithstanding — to assure them the government's full support and to plead with them that they should ensure sufficient marketed surpluses for the urban consumer. The entire thrust of Subramaniam's policy is likely to be to increase the supply of inputs for these "viable farmers", even though there may be a general shortage of fertilisers and other inputs.

The other aspect of the government's policy is to rely on massive imports till the rich farmers oblige the government. The air is thick with talk of concessional imports of foodgrains. There is no official request to any country in particular to this effect, but that does not mean that intense lobbying is not going on with the USA as well as other countries for foodgrain supplies on soft terms. An important part of Planning Minister D P Dhar's brief for the session of the Indo-Soviet Joint Commission in Moscow was to take up with the Soviet leaders the question of another wheat loan. The effort in this direction is wide-ranging and even the EEC countries are being sounded. Wheat imports on deferred payment terms are being vigorously canvassed and are being defended as being entirely commercial and not at all comparable to the erstwhile PL 480 imports.

According to the demands for grants submitted in connection with the supplementary budget, the Finance Ministry estimated that public distribution during the current year would be of the order of about 8.8 mn tonnes. Of this, the import component would be as much as 5.6 mn tonnes, the contribution of domestic production being only 3.2 mn tonnes. Of the imported foodgrains, 1.7 mn tonnes would be out of the Russian wheat loan of 2 mn tonnes arranged last year. In addition, there was some carryover of imports from last year and another 1.9 mn tonnes of imports have been contracted for during this year. On this reckoning, an additional import of 2 mn tonnes is considered the bare minimum needed to run the public distribution system. However, the Finance Ministry's estimate of 8.8 mn tonnes of public distribution is grossly inadequate. The demands on the public distribution system are running at a far higher level and an additional import of about 5 mn tonnes, and not just 2 mn tonnes, appears to be unavoidable. But there is not enough foreign exchange with the government to arrange imports of this order on commercial terms. Hence, semantics apart, the government has no choice but to look for charity imports of food in one form or another.

INTERNATIONAL AFFAIRS

Unreal Contradictions

G P D

KISSINGER is in the news, as always. This time he is interested in India's political system — not as a Harvard Professor, but as Gerald Ford's Secretary of State. In any case Ambassador Moynihan thinks so. It seems Indira Gandhi is worried about Kissinger's views on the "acceptability" of her government. Ambassador Moynihan, like a good democrat, shared a fellow democrat's apprehension and promptly cabled Washington to say that Indira Gandhi sees herself as another Allende. What happened to the Chilean Marxist, she apparently fears, could well happen to an Indian you-know-who. Moynihan has, therefore, asked Washington to put all its cards on the table.

It is indeed a pity that Allende did not know some simple things which Indira Gandhi seems to know. Any time you are worried about American designs all that you need to do is to send for the American ambassador and put the matter straight to him. He would do the needful. In short, contact "the man on the spot" and you have nothing to worry about. The Americans can be so obliging that they can, for your benefits, even organise a leak of the cable. This leak helps those in your country who may be looking for anti-imperialist heroes. And the socialists in Moscow may be depended on to co-operate by publicising the very image that our ruling elite has of itself.

It is beyond the comprehension of ordinary mortals how Indira Gandhi and her colleagues see such pointed resemblance between themselves and the late President of Chile and his colleagues. This will probably remain a well-guarded secret unless some socialists either here or abroad decide to enlighten us on the question. Meanwhile the commercialisation of Allende's death will continue. Almost everyone in the developing world who wants to play the anti--American game according to the American rules can liken himself to President Allende and instruct his Ambassador in Washington to make an appointment with Kissinger.

It's a perfect case of the Theatre of the Absurd. It would have been a normal comic experience but for the fact that poor Allende's name is being so vulgarly bandied about. It is a reflection on the international system today that this can happen at all. It would have been unthinkable in the early fifties, for example, for somebody in power in a developing country to liken himself to a Marxist to secure more American attention and money. Even if anybody had done so, the Americans would not have played the game. The careful leaks of anxious cables and the injured innocence of State Department officials are of one piece indeed. The lady protests too much indeed!

If all this appears to be rather well-rehearsed it is because never since 1945 has the international system been so stable and sure of itself as it is today. The two super-powers in their near-complete unanimity that they shall jointly rule the world — their differences notwithstanding — are indeed setting a very elaborate system of dos and dont's in international behaviour. If Kissinger appears to be the most successful American statesman of the post-war world it is not because he has clues to some mysterious ways of conflict-resolution, but rather because he has the clear perception that the appearances of cold-war and contradictions should not be allowed to cloud the realities of detente and deals.

Once this is grasped, the appearances can be managed. If the Soviets want their allies to make anti-American noises periodically, and *vice versa,* nothing could contribute better to the health of the system. Those, like Allende, who make the mistake of not seeing the distinction — between postures of contradiction and actions of accommodation — will be mercilessly punished. As for the rest who see the distinction clearly and cleverly, they need not worry. Kissinger would even consider putting their country on his next itinerary. He would be naturally a little softer on those who prefer him to Gromyko in much the same manner as Gromyko would be.

The stability of this system is really remarkable. For the first time the Americans seem to have hit upon a formula which permits them to penetrate any part of the world they like without causing much domestic trouble to their hosts. The domestic troublemakers in India, for example, can always see the Soviet side of the Indian foreign policy coin! Equally the 'democrats' of the Indian system can see the American side of the coin. Everybody is happy. The bi-alignment grows stronger.

Unlike in the 'cold-war' years, the people of different alignments now talk to each other. Thus the Foreign Minister of India with a treaty of friendship with the Soviet Union can fly to Seoul which has an alignment with the United States. In other words, the system has so much resilience now that one aligned state is on speaking terms with a state belonging to a supposedly antagonistic alliance system without causing any damage. Local Kissingers can interpret these little preferences in the right perspective and sort out the problems.

The Chinese are shouting from the housetops that there 'is great disorder under heaven'. One wonders exactly where they see it. Little do they seem to realise or care that even 'disorders' can sometimes be well-rehearsed. We are living in a world of 'unreal contradictions'. The Chinese choose to ignore them for the simple reason, perhaps, that Mao Tse-tung has not provided for this category of contradictions!

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Nixon Goes, Presidential Absolutism Remains

Swadesh Rana

NIXON's decision to resign may prove disappointing to those who thought that the entire Watergate affair was not really about Nixon but about a more fundamental issue in the American political system, i e, the centralisation of executive power in the White House. The willingness of a number of Democrats and Republicans to consider offering immunity from prosecution to Nixon if he decided to resign dramatised their unwillingness to question seriously the absolutist powers of the American presidency. Impeachment would have certainly involved a critical examination of presidential power — a prospect equally unattractive to presidential hopefuls both in the Democratic and Republican parties. The Democrats' position would have been particularly embarrassing because the two greatest centralisers in recent times, John Kennedy and Franklin Roosevelt, were Democrats. Both Kennedy and Roosevelt believed that centralisation of authority was a necessary means to achieve reform. Nixon, on the other hand, started by advocating the return of power to the states and the promulgation of a new federalism..

But in the actual exercise of authority he carried presidential power to such extremes that some of his chief aides in the White House tended to overshadow his cabinet officials. It was an arrangement tacitly accepted by many, if not actually approved by all, Republicans. With the gradual unfolding of the impeachment process many of Nixon's former aides and confidants were convicted on grounds of perjury and conspiracy to obstruct justice — the latest two being John Connally, Nixon's former Treasury Secretary, and John Ehrlichman, a former presidential assistant. While a long drawn process of impeachment would have generously served the interests of the Democrats and critics of the Nixon administration, it was in the interests of the Republican party to shorten that process and reduce the number of people who would go down with Nixon. It was to attain this purpose that Republican Senator Edward Brooke took the initiative to introduce a 'Consensus of the Congress' resolution offering Nixon the choice of quitting voluntarily or facing the "tortuous and disastrous" but almost certain prospect of impeachment. Viewed in this context, the new president, Gerald Ford, was not being merely polite when he told newsmen on August 9 that he viewed Nixon's decision to resign as "the greatest personal sacrifice" and "saddest incident" of his political career.

The Republican party's decision to persuade Nixon to 'sacrifice' himself was implicit in its approval of Ford as the Vice-President in 1973 after Spiro Agnew resigned on being implicated in alleged felony and abuse of power. Ford, the leader of the minority Republican party in the House of Representatives, was acceptable to a Democratic Congress in a year when the charisma of the landslide Republican winner of the presidential election of 1972 was wearing off. With one of their own designated as the legitimate constitutional successor to the presidency, the Republicans felt comfortable in pressing Nixon to step aside. Even while confirming Ford for the vice-presidential position, the Republicans highlighted only those aspects of his 25 years of inoffensive and mediocre political career which portrayed him as a conservative Republican reputed "precisely for the kind of political civility and institutional deference most needed to redeem" the Nixonian exercise of presidential power. As Ford was the first candidate to be considered for the vice-presidency without facing a national election, his political, personal and financial background were subjected to a thorough inquiry by the Federal Bureau of Investigation. A voluminous 1,600-page report revealed no skeletons and was greeted with relief by the Republicans, many of whom were worried that if Nixon were ousted before yielding the presidency to an impeccable Republican, the Democrats would reach the White House in 1976 even "with the Boston strangler as their candidate".

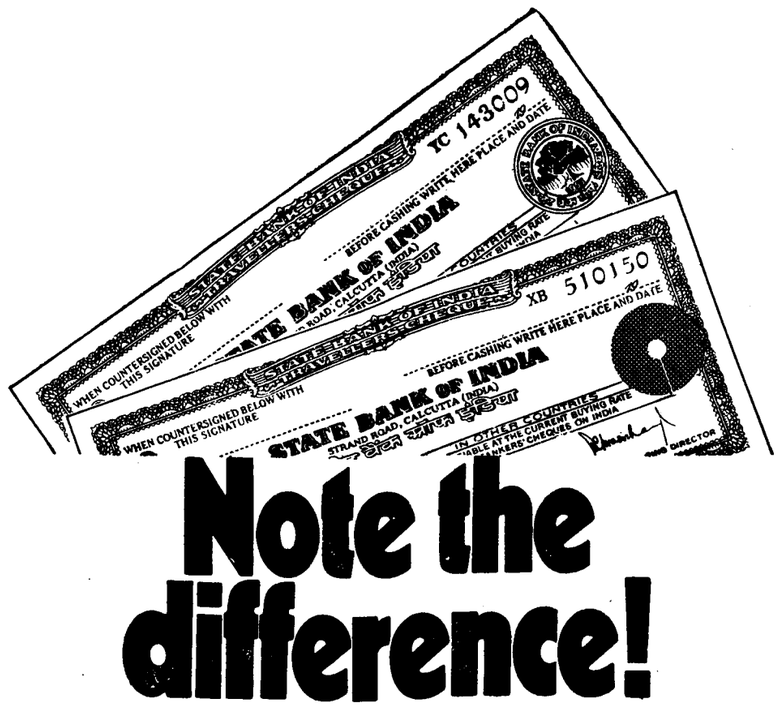
Besides his thoroughly investigated record, Ford had an additional merit which fitted the Republican search for a probable successor to Nixon like a glove. Despite his disclaimers to presidential ambition, Ford had expressed some opinions about the presidency which were relevant to the consideration of his presidential candidature. Speaking about executive privilege, Ford had said in April 1963: "To maintain that the executive has the right to keep to itself information specifically sought by the very people the executive is supposed to serve is to espouse some power akin to the divine right of kings . . . Congress cannot help but conclude that executive privilege is most often used in opposition to public interest". About presidential power, he had said in October 1966: "I believe the power of the Presidency has become so intoxicating for Lyndon Johnson that he believes he can accomplish anything he sets his mind to. The result of this presidential arrogance, this mistaken exercise of excessive power, is a crisis in our economy," About impeachment, while supporting the unsuccessful move to impeach liberal Supreme Court Justice William Douglas, he had said in April 1970: "What, then, is an impeachable offence? The only honest answer is that an impeachable offence is whatever a majority of the House of Representatives considers it to be at a given moment in history".

All these pertinently quotable statements were made by Ford in the pre-Nixon era and there is no way of ascertaining whether these were actually considered by the Republicans in their support for Ford. Nor is it possible to maintain that Ford would like his presidential behaviour to be judged against his opinions about the presidency expressed at a time when he had no presidential ambitions or prospects. However, what is quite certain and needs being mentioned is that the American mass media which played a crucial role in Nixon's resignation did not seem adequately concerned with the fundamental issues involved in the Watergate affair. In their massive concern not to miss a single erasure, disclosure, rebuttal or expletive in the never-ending footage of presidential tapes, the American mass media gave scant coverage to the central issue of presidential absolutism. Inumerable journalists, humour columnists, telecasters and broadcasters vied with each other to present the most exciting way of saying the simple fact that Nixon is not to be trusted. And among the academic community, some enterprising analysts decided to establish political linkages between the domestic and international environment of the American political system by talking about issues like Watergate and the energy

crisis, Watergate and China, Watergate and the Atlantic alliance.

While the mass media relished their role of providing what they considered to be 'hot' and troubling news to the American public, the American public — recovering from the trauma of the Vietnam involvement and facing soaring inflation — easily slipped into the reassuring belief that what was wrong with America was Nixon.

With Nixon's departure from the political scene, the Republicans may feel relieved that the 1976 presidential election will not be lost before it is polled, the American mass media may devote themselves to projecting Ford as the man America needs most and the American public may feel reassured that the nightmare of Watergate is over. If this happens — and it is most likely to happen — the American political system will have missed a rare chance to utilise a harrowing experience to evolve constitutional procedures which would subject the American presidency to sustained restraints.



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Detention Conditions in West Bengal

Text of Report by Amnesty International

Introduction to the Report

WHEN Jawaharlal Nehru published his autobiography in 1936, he could write that "political imprisonment had become a frequent enough occurrence in India".* Nehru himself, like many other prominent Indian leaders, suffered from political detention on several occasions under the Defence of India Rules (DIR) and the Indian Penal Code, both introduced by the then British Government. Both these laws are still in force in India and being used to detain people with different opinions from the Government in power. Observations once made by Nehru while in prison are now relevant to many of the prisoners held in India today.

The Indian constitution has laid down detailed safeguards to protect human rights and the record of the judiciary in enforcing these safeguards has been impressive. The Indian prison system is unusual in the sense that it allows for special and better treatment for political prisoners (Class A, or Division I); this classification is, however, now given to only a small proportion of such prisoners. The majority live in prison conditions which not only fall far short of such preferential treatment, but also of the minimum prison conditions as laid down in the United Nations Standard Minimum Rules for the Treatment of Prisoners. Amnesty International estimates that between 15,000-20,000 prisoners are now held for political reasons in one Indian state alone, West Bengal. A large number of these prisoners have spent periods of up to three years without trial as "Under Trial" prisoners.

Amnesty recognises that its concern about this policy of large-scale untried detention is shared in the highest legal forum in the country. Lately, the Supreme Court of India observed that "the new jurisdiction of the 'jejune' judicial protection was an erosion of citizens' fundamental right of personal liberty against arbitrary deprivation".† In its judgment, the Supreme Court observed that "the final cure for prejudicial activities threatening the survival of the community is not the executive shut-up of all suspects in prison for how long one is guessing. Such a strategy may alienate and embitter men".

Amnesty International has raised the issue of political imprisonment in West Bengal (where most of the political prisoners are being held) both with the Central and with the provincial Governments on several occasions (on March 15, 1973, October 19, 1973 and February 1, 1974). When 46 political prisoners went on a hunger strike on May 17, Amnesty prepared a report on the conditions and the treatment of political prisoners in West Bengal. The report, making specific recommendations for policy (which are attached) was sent to the Indian Prime Minister and the Chief Minister of West Bengal on June 14, 1974. Since the prisoners have called off their strike, the West Bengal Jail Minister has conceded to some of the basic demands made by the prisoners (i e, that prisoners can be visited by their relatives; that some non-proscribed newspapers and periodicals be allowed; and that clothes be supplied to Under Trial prisoners whose relatives are not in a position to do so).

However, on none of these four occasions has Amnesty received any response from the Government, and has therefore decided to publish the updated report on detention conditions in West Bengal jails.

Short Report on Detention Conditions in West Bengal Jails

(1) Numbers

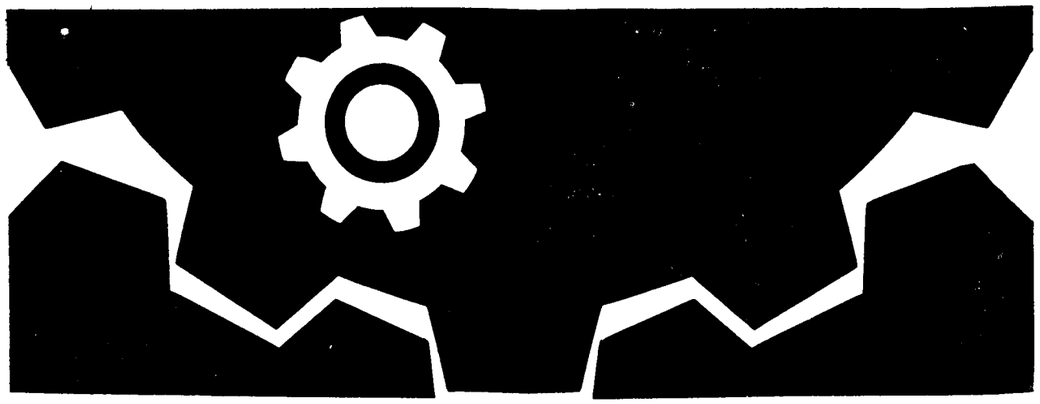
Amnesty estimates that at the moment between 15,000 and 20,000 prisoners are being held in West Bengal for their alleged involvement in extremist left-wing political activities. Last year the West Bengal Home Minister stated in the state Assembly that the total number of "prisoners arrested for being Naxalites was 17,787" (*Ananda Bazar Patrika*, March 17, 1973). On January 1 this year, the *Statesman* reported that 2,000 are held under the Defence of India Rules (DIR) and the Maintenance of Internal Security Act (MISA); these are preventive detention laws introduced after the declaration of a state of emergency on December 3, 1971 at the time of the war with Pakistan. According to this report, more than 17,800 are, in addition, held as "Under Trial" prisoners, but the majority have now been detained for two or more years without trial. Some of them have been so detained for nearly five years. On their release, prisoners held under preventive detention laws are often reported to be rearrested, either under different clauses of the same laws or charged with specific criminal offences. Thus, although the Supreme Court of India ruled on April 19, 1973 that the special detention powers under Article 17A of the MISA (extending the period of preventive detention to 21 months) were illegal, and ordererd the release of 1,760 prisoners who had been detained under this provision, nearly all of these prisoners remained in detention, either under different sections of the same act or on criminal charges (*Economic and Political Weekly*, Bombay, May 12, 1973 and *Le Monde*, Paris, May 15, 1973).

Most political prisoners are described as sympathisers with or members of the CPI(ML) (Communist Party of India Marxist-Leninst) commonly known as "Naxalites". A smaller number are members of the main parliamentary opposition party in Bengal, the CPI(M) (Communist Party of India — Marxist). Apart from being held under preventive detention laws, prisoners are also detained on a variety of serious criminal charges, but often released before actually having been tried. Such was the case, for example, with Dr Gholam Yazdani, physician and former member of the United Front Government of Bengal, arrsted in 1971. He was released in December 1973 without having been tried. Prisoners tried and not found guilty on one charge are often immediately rearrested on different charges. Thus, it was reported to Amnesty that Karune Mukerjee, Gour Banerjee and Nag, all Naxalite suspects, had been arrested in 1970-71 and were since detained charged with murder and illegally carrying arms and explosives. In October 1973 the Calcutta magistrate pronounced a verdict of not guilty on their case, but the prisoners were rearrested within the court premises and taken into police custody on charges of robbery. After their release, prisoners, even if cleared of all charges brought against them, are often put under "restrictions", i e, have to report regularly to the police, whereas according to a number of statements made to Amnesty, restrictions are being imposed on their movements and political activities.

(2) Prison Conditions

Many jails are grossly overcrowded; at the moment Alipore Special Jail,

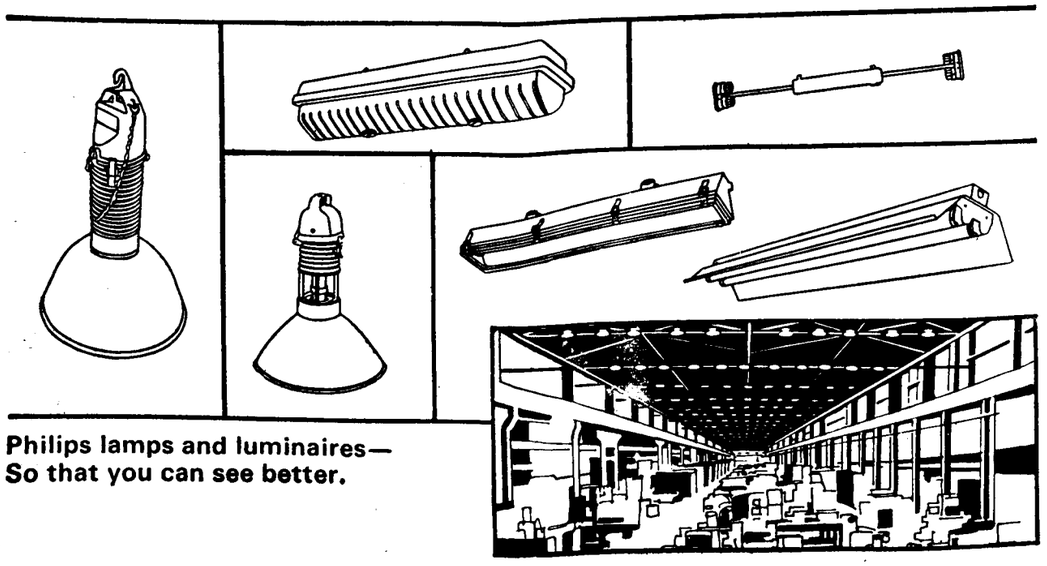
* Jawaharlal Nehru, "An Autobiography", London, 1947, p 90.
† *The Times of India*, March 15, 1974.



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Presidency Jail in Calcutta and Jamshedpur Jail in Bihar are among the prisons containing more than the official capacity. This has made it difficult for the prisoners to obtain certain essential facilities. Accounts from ex-prisoners received by Amnesty indicate that hygiene conditions in most jails are bad. According to a recent report in the *Economic and Political Weekly* (December 22, 1973), in Calcutta Presidency Jail, only one watertap is available for 150-200 prisoners, and in the dry season it is often difficult to obtain drinking water for the inmates. In Alipore Special Jail, there is only one watertap for 700 prisoners. In some other jails, prisoners reportedly have to take drinking water from ponds where other prisoners bathe and wash their clothes. Under Trial prisoners are kept in wards of 80-100 inmates which are dark and airless, and prisoners are locked up from 5:30 in the evening until 6:00 a m without any sanitary facilities. In the morning, prisoners are allowed out for two hours to have meals, wash and use lavatory facilities.

Although Presidency Jail is one of the few prisons with a sick ward, very few prisoners are admitted to the ward. According to the same report, medical facilities are scarce, and skin diseases particularly scabies, widespread. Amnesty has been told that in some cases, despite recommendations from jail doctors, no permission was given for prisoners to be treated in outside hospitals. Of the cases reported to Amnesty, one was of Ramal Roy Chowdhury, arrested in October 1970, who allegedly had been tortured and whom the jail doctors had recommended for outside treatment, which was never given. The prisoner is said to have died in April 1972 on the day of his "Special Release" from jail. Another prisoner, Azizul Haque, is said to be seriously ill following alleged torture during police interrogation which left him partly paralysed. Despite doctors' recommendations for outside treatment, he remains in jail.

Visits, according to the *Economic and Political Weekly* report, are officially allowed twice a month. In the case of Under Trial prisoners, such visits last usually 3-5 minutes, except in the case of the few prisoners classified as Grade II, who are allowed 20-minute visits. However, on occasion, families are refused permission to visit the prisoners at all, as has happened with the prisoners on hunger strike in May. Most of the Under Trial prisoners and prisoners held under the MISA — who form the vast majority of the prison population — have no access to the library, and reading material is restricted to a few officially allowed newspapers.

(3) Discipline and Punishment in Prison

Amnesty has been particularly concerned about the use of bar fetters ("dandaberri" and "shikliberri") on prisoners regarded as dangerous or as security risks. While such fetters seem to be used in West Bengal jails, reports of this have reached Amnesty also from Bihar, especially. Fifty-one alleged Naxalite prisoners are kept in chains in Hazaribagh Jail, some of them for periods of more than two years. The fetters are kept on day and night, according to the jailer of Hazaribagh Jail "to avoid further trouble". They consist of an iron ring on each ankle, each of which is attached to an iron bar some 20 inches long, the bar being connected to another one connected to the waist. One of the prisoners recently on hunger strike, Ashim Chatterjee, was chained for a period of two years. It was also reported to Amnesty that the same prisoner had spent two years in solitary confinement. Another case known to Amnesty is that of Shibal Roy, detained in the same jail, who contracted tuberculosis during imprisonment. After having received hospital treatment, he returned to jail and was put in irons again. Prisoners held in this condition in Hazaribagh Jail spend 24 hours locked with four or five in a cell, which they may only leave to use the lavatory. The use of bar fetters is also reported from other jails: in Calcutta Presidency Jail, prisoners are allegedly kept in fetters for periods of three to six months or even longer. Such treatment is contrary to Rule 33 of the United Nations Standard Minimum Rules for the Treatment of Prisoners — even for those who are convicted (see Appendix II).

(4) Correctional Institutions for Political Prisoners

The Jail Minister of West Bengal, Mr Gyan Singh Sohonpal, announced on February 21, 1974 that "The West Bengal Government will convert Barasat subjail in 24 Parganas district into a correctional institution to bring about a psychological change in the behaviour of the 'misguided youths', mainly Naxalite prisoners" (*The Indian Express*, February 22, 1974). According to the Jail Minister's statement, the Naxalites are regarded as "psychopaths and in need of psychotherapy to get rid of the extremity of mind".

Amnesty International understands the term "Naxalite" to describe a particular political orientation of a group of young men and women who sympathise with the Maoist oriented peasant uprising which occurred in 1967 in West Bengal. Their ideology advocates armed struggle to bring about a change in the social and political structure. Numerous acts of violence have been committed by members of the movement in Bengal and its neighbouring provinces, particularly in the period 1970-71. As such, the term describes a particular ideology rather than a pathological state. Amnesty therefore wrote to the West Bengal Jail Ministry early this year to enquire about the evidence in existence to qualify these prisoners as psychopaths. Its request for an assurance that any psychotherapeutic treatment administered to, or carried out upon these prisoners be with their voluntary consent, has so far remained unconfirmed.

(5) Torture Allegations

Over the past three years, a number of torture allegations have reached Amnesty from legal sources in Calcutta. According to these reports, torture is frequently applied during police interrogation, both in the Special Police Office (14, Lord Sinha Road, Calcutta), and in the Lal Bazar Police Station in Calcutta. Allegations of torture include severe beatings — to the extent of fractured limbs —, prisoners being hung upside-down and pins and nails being inserted into their nails and other sensitive organs of the body, including the genitals. In a number of cases the use of modern electric shock methods is reported, and prisoners are also allegedly burned with cigarettes, extinguished on their skin. According to the same reports, appropriate medical treatment was denied to prisoners who had suffered such treatment, which resulted in their being partly paralysed (as in the case of Azizul Haque and Megharanjan Sen Gupta, detained in Presidency Jail). In the case of Ramal Roy Chowdhury (mentioned in Paragraph 2) who died after his release, it was reported that his death was due to inadequate medical treatment following police torture.

Allegations of torture of women have most recently been made in a report* by the "Akhil Banga Mahila Samiti" (All Bengal Women's Association). Members of the Association were detained in May this year, together with some 25 female Naxalite suspects,

* Extracts from which appeared in the *Economic and Political Weekly* of July 27, 1974. This report mistakenly mentions the All-India Women's Association.

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whom Amnesty estimates now to be detained in Calcutta's Presidency Jail. According to members of the Association, these women were taken to Lal Bazar Police Station one month after their original arrest. When failing to supply the wanted information they were stripped naked, burned with cigarettes on all parts of the body, and in some cases, iron rulers were inserted into the rectum and vagina. When recovered, these women would, according to this report, be taken to Lal Bazar for the same treatment after 20-22 days.

Although Amnesty has not been able to make an investigation of the majority of these allegations, Amnesty representatives have talked to a small number of ex-prisoners who allege they have been tortured. In at least one case, the Amnesty representative was able to establish that the right hand of an ex-prisoner was paralysed and could find no reason to question his statement that this was caused by severe beating during police interrogation: this prisoner was a lawyer who had been detained in January 1970 on three criminal charges, and, after he had been acquitted of all the charges, was released in June 1973 on the condition that he report regularly to the police and not engage in political activities.

(6) Jail Incidents

According to official figures which appeared in the *Statesman*, *The Times of India* and the *Jugantar*, 88 prisoners were killed in 12 jail incidents during the period December 1970 to June 1972 in West Bengal alone (see Appendix I). Unofficial reports from ex-prisoners which have reached Amnesty put the number of prisoners who died in these encounters between prisoners and the jail staff and police at three times that figure. Only in a limited number of these incidents was an official enquiry ordered to take place, i e, as in the case of the July 26, 1971 Hazaribagh incident in which 16 people died. While no official report on these incidents has ever been published, as far as we know, *The Times of India* and the *Statesman* of August 4, 1971 stated that "The Preliminary enquiry held by the Commissioner of the Chotanagpur Division and the Deputy Commissioner for Hazaribagh also shows that the remaining 12 inmates died of injuries caused by convict officers". Regarding the incident at Asansol Jail which took place on August 7, 1971, the *Statesman* also reported: "about Thursday's incident in Asansol Jail, it was learnt that all the nine killed had been beaten to death."

Such reports cast serious doubts on one common official explanation: that the prisoners were shot while trying to escape from prison.

(7) Legal Aid

While Article 22 (*i*) of the Indian Constitution confers the right to every citizen to be informed as soon as possible about the grounds for his arrest, and the right to consult a lawyer, the main complaint of the Legal Aid Committee in Calcutta — a committee of lawyers whose aim is to extend legal aid to political prisoners — is that members of the Committee are often denied access to their clients in prison. Letters written by prisoners to the Committee have, in a number of cases, not reached their destination; while prisoners, when they have a lawyer, often complain that they cannot meet their counsel in jail and can only see him for the first time when they are actually brought to court. Whereas the work of the Legal Aid Committee in the High Court has been fairly successful, a report from the Committee issued in November 1973 mentions that "The Committee moved 200 bail petitions in different courts in West Bengal (in 135 Under Trial cases and 52 MISA cases). Bail was granted to six Under Trial prisoners and 46 prisoners held under the MISA. Till now, only six prisoners have been released". Like many of the political prisoners in West Bengal, they were rearrested under different charges immediately after their release had been ordered by the Court.*

Research Department
September 1974

Recommendations Arising from a Short Report on Detention Conditions in West Bengal Jails, Submitted to the Prime Minister of India and the Chief Minister of West Bengal†

Amnesty International, while concerned about the policy of large-scale detention without trial, would like to draw Your Excellency's attention to the detention conditions of political prisoners, many of whom are held in West Bengal jails. One the basis of a report on detention conditions of such prisoners, prepared by Amnesty's Research Department, and guided by the principles of the Universal Declaration of Human Rights, which states in Article 9 that

"No one shall be subjected to arbitrary arrest, detention or exile"

and also led by the principles laid down in Article 22 of the Indian Constitution, which provides safeguards against such arrests, we would now like respectfully to submit to you the following recommendations:

(1a) That your Government confines itself to prosecuting only those against whom evidence exists that they have committed offences punishable under the Indian Penal Code.

(1b) That all prisoners held under criminal charges either be brought to trial without further delay, or that in the absence of such, that prisoners likely to be held for more than three months in prison without trial be instead at least released on bail.

We feel that a prosecution policy along these lines, resulting in the release of considerable numbers of prisoners held without trial, would solve to some extent problems created by overcrowding as outlined in the attached report under Paragraph 2. But until such a policy is declared, we would, moved by humanitarian considerations, respectfully suggest that Your Excellency considers the following steps for immediate consideration: in so doing, we are guided by the United Nations Standard Minimum Rules for the Treatment of Prisoners (SMR).

(2) That, on the basis of the principle that all unconvicted prisoners are presumed to be innocent and be treated as such [Rule 84(2) of the SMR]:

(a) That no instruments of restraint, such as bar fetters and irons, be used in prison, in accordance with Rule 33 of the SMR. (For information on the use of these, see Paragraph 3 of the attached report.)

(b) That adequate facilities for accommodation, personal hygiene and food, as well as medical facilities, be supplied to the prisoners in accordance with Rules 10, 11, 12, 20 and 22 of the SMR

* This report is available in Hindi and Bengali as well as English and can be obtained from the Publications Department of Amnesty International, International Secretariat, 53 Theobald's Road, London WC1X 8SP.

† These recommendations were submitted to the Indian Prime Minister and the West Bengal Chief Minister in letters dated June 14, 1974 from Martin Ennals, Secretary General of Amnesty International.

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Appendix I : Jail Incidents in West Bengal and Bihar during Period December 1970-June 1972

Name of Jail	Source	Persons Killed (Official Estimates)
Midnapore Jail December 16, 1970	*Statesman* December 17, 1970	10
Midnapore Central Jail February 6, 1971	*Statesman* February 6, 1971	1
Berhampur Jail February 24, 1971	*Jugantar* February 25, 1971	10
Dum Dum Central Jail May 14, 1971	*Statesman* May 15, 1971	16
Bankipur Jail (Patna) July 8, 1971	*Times of India* July 8, 1971	2
Alipore Special Jail July 12, 1971	*Times of India* July 12, 1971	6
Hazaribagh Jail (Bihar) July 25, 1971	*Statesman* July 26, 1971	16
Alipore Central Jail November 26, 1971	*Jugantar* November 27, 1971	6
Asansol Special Jail August 5, 1971	*Times of India* August 6, 1971	9
Hooghly Jail February 7, 1972	*Statesman* February 8, 1972	1
Bhagalpur Jail May 8, 1972	*Statesman* May 9, 1972	9
Burdwan Jail May 28, 1972	*Statesman* May 29, 1972	2
	Total	88

(see Paragraph 2 of the report).

(c) That family visits, reading material and all other conditions applicable to persons held on remand awaiting trial be supplied in accordance with Rules 90 and 92 of the SMR (see Paragraph 2 of the report).

(d) That investigations be made into allegations of torture whenever they reach the Government, and that all possible steps be taken to prohibit such use in the future, including the punishment of any persons found guilty of such acts (see Paragraph 5 of the report).

(e) While seriously disturbed about the various incidents, resulting in the death of prisoners as described in Paragraph 6 of the report, Amnesty urges that an official investigation be made into the nature of these incidents and the resulting deaths of prisoners, and that adequate measures be taken to prevent the recurrence of similar excesses in the future.

(f) Finally, that prisoners, in accordance with the provisions of Rule 93 of the SMR be allowed to apply for legal aid and to receive visits from their legal advisers, and that such visits be in sight, but not in hearing distance of the police or institutional officer (see Paragraph 7 of the report).

Appendix II: Relevant Rules of the United Nations Standard Minimum Rules for the Treatment of Prisoners (Resolution Adopted on August 30, 1955)

(10) All accommodation provided for the use of prisoners and in particular all sleeping accommodation shall meet all requirements of health, due regard being paid to climatic conditions and particularly to cubic content of air, minimum floor space, lighting heating and ventilation.

(11) In all places where prisoners are required to live or work,
(a) The windows shall be large enough to enable the prisoners to read or work by natural light, and shall be so constructed that they can allow the entrance of fresh air whether or not there is artificial ventilation;
(b) Artificial light shall be provided sufficient for the prisoners to read or work without injury to eyesight.

(12) The sanitary installations shall be adequate to enable every prisoner to comply with the needs of nature when necessary and in a clean and decent manner.

(20) (1) Every prisoner shall be provided by the administration at the usual hours with food of nutritional value adequate for health and strength, of wholesome quality and well-prepared and served.
(2) Drinking water shall be available to every prisoner whenever he needs it.

(22) (1) At every institution there shall be available the services of at least one qualified medical officer who should have some knowledge of psychiatry. The medical services should be organised in close relationship to the general health administration of the community or nation. They shall include a psychiatric service for the diagnosis and, in proper cases, the treatment of states of mental abnormality.
(2) Sick prisoners who require specialist treatment shall be transferred to specialised institutions or to civic hospitals. Where hospital facilities are provided in an institution, their equipment, furnishings and pharmaceutical supplies shall be proper for the medical care and treatment of sick prisoners and there shall be a staff of suitably trained officers.
(3) The services of a qualified dental officer shall be available to every prisoner.

(33) Instruments of restraint such as handcuffs, chains, irons and straitjackets shall never be applied as a punishment. Furthermore, chains or irons shall not be used as restraints. Other instruments of restraint shall not be used except in the following circumstances:
(a) As a precaution against escape during a transfer, provided that they shall be removed when the prisoner appears before a judicial or administrative authority;
(b) On medical grounds by direction of the medical officer;
(c) By order of the director if other methods of control fail, in order to prevent the prisoner from injuring himself or others or from damaging property; in such instances, the director shall at once consult the medical officer and report to the higher administrative authority.

(82 [2]) Unconvicted prisoners are presumed to be innocent and shall be treated as such.

(90) An untried prisoner shall be allowed to procure at his own expense or at the expense of a third party such books, newspapers, writing materials and other means of occupation as are compatible with the interests of the administration of justice and the security and good order of the institution.

(92) An untried prisoner shall be allowed to inform immediately his family of his detention and shall be given all reasonable facilities for communicating with his family and friends, and for receiving visits from them subject only to such restrictions and supervision as are necessary in the interests of the administration and justice and of the security and good order of the institution.

(93) For the purposes of his defence, an untried prisoner shall be allowed to apply for free legal aid where such aid is available, and to receive visits from his legal adviser with a view to his defence and to

prepare and to hand to him confidential instructions. For these purposes he shall if he so desires be supplied with writing material. Interviews between the prisoner and his legal adviser may be within sight but not within the hearing of a police or institutional official.

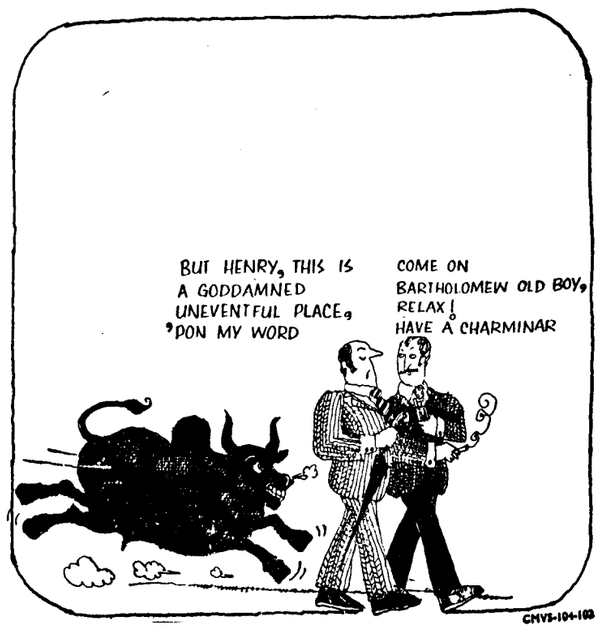
Background to the Release of Amnesty International's Report on Prison Conditions in West Bengal

Over the last two years Amnesty International has been increasingly concerned about the large numbers of political prisoners held without trial, particularly in the Indian state of West Bengal. Between 15,000 and 20,000 prisoners are detained for what are usually described as "extremist activities". Most of the prisoners are said to be members of the Communist Party of India (Marxist-Leninist), commonly known as "Naxalites". Their name is derived from a Maoist-oriented peasant uprising which occurred in 1967 in the village of Naxalbari, north Bengal. The ideology of the CPI(ML) advocates armed struggle as a means of bringing about changes in India's social and political structure. Acts of violence have been committed in its name in Bihar, Orissa and Andhra Pradesh; in Bengal, and specifically in Calcutta, indiscriminate violence was intense during 1969 and 1970; it was in this period, and in this context, that many of those now in detention were arrested. However, many prisoners are still held without trial as members or sympathisers, rather than convicted for specific criminal offences. While Amnesty has not adopted any of them as "Prisoners of Conscience", it feels that immediate steps should now be taken to ensure that these prisoners are given a fair trial at an early date or be immediately released on bail.

Some political prisoners are detained under preventive detention laws such as the Maintenance of Internal Security Act and the Defence of India Rules — in force since the outbreak of the Bangladesh War in 1971 — but the majority are held as "Under Trial" prisoners, charged with specific criminal offences. Prisoners, when released, are in many cases reported to be rearrested, either under different clauses of the preventive detention laws, or under other clauses of the Indian Penal Code. They live in overcrowded conditions which fall far short of the minimum as laid down in the United Nations Standard Minimum Rules for the Treatment of Prisoners. Such conditions may well have contributed to the occurrence of a number of serious jail incidents which have resulted in the deaths of at least 88 prisoners between the period December 1970-June 1972 alone. In view of the nature of the circumstances in which some of the prisoners have reportedly died, Amnesty is unable to accept unconditionally the common official explanation: that the prisoners were shot while trying to escape from prison.

On June 14, 1974 Martin Ennals, Secretary General of Amnesty International wrote to the Indian Prime Minister and the West Bengal Chief Minister, repeating his concern about the continued detention without trial of such large numbers of prisoners. Attached to the letter was a report prepared by Amnesty's Research Department in May of this year, when 46 prisoners staged a hunger strike in West Bengal, demanding the improvement of detention conditions. The allegations which the report specifies are: the overcrowded conditions, the large number of prisoners who have died in prison allegedly while trying to escape, the use of bar fetters on prisoners, in some cases reportedly for more than two years, the use of torture during police interrogation, the insufficient hygiene and medical facilities and allowance for legal aid. In his letter, Amnesty's Secretary General submitted that the Indian Government should confine itself to prosecuting only those against whom there is evidence that they have committed criminal offences. All such prisoners should be brought to trial immediately, or at least released on bail if their trial cannot be held within three months. Mr Ennals urged the Government to make official investigations into the various jail incidents which have occurred between December 1970 and June 1972 and that adequate steps be taken to prevent the recurrence of similar excesses in the future. On the basis of allegations of torture which had reached Amnesty both from legal sources in Calcutta and from personal statements made to Amnesty, Mr Ennals requested the Indian Government to investigate any allegations of torture whenever they reach the Government, and that all possible steps be taken to improve the prisoners' detention conditions, specifically the abolition of the use of bar fetters, better material and medical facilities, and that adequate arrangements be made for prisoners to receive visits and to apply for legal aid.

On several occasions since early 1973 Amnesty has raised the policy of large-scale detention without trial of political prisoners both with the central and with the provincial governments of West Bengal and India. Amnesty recognises that its concern about such a policy is shared by the highest legal forum in the country, since the Supreme Court of India, in its judgment of March 15, 1974 (*Times of India*, March 15, 1974) expressed serious reservations about detention on suspicion. However, Amnesty has so far not received any response from the Indian Government and has, therefore, decided to publish the up-dated report on detention conditions in West Bengal.



An Approach to the Historiography of Economics

Isher J Ahluwalia

IS the development of science through time a piecemeal process, or, can one observe a systematic pattern underlying the evolution and accumulation of scientific knowledge? This question which is central to the historiography of any science, is particularly relevant at times when a new push seems necessary. Thomas Kuhn in his book, "Structure of Scientific Revolutions" puts forth a theory of scientific development based on the experience of the physical sciences, which presents very useful and interesting possibilities of application to Economics. There has been an increasing concern with the "limits" of Economics in dealing with problems of economic development. How do we view this in terms of the historiography of Economics?

Section I below summarises Kuhn's theory, and points out some major differences between physical sciences and social sciences. The basic applicability of this theory to the development of ideas in Economics is shown in Section II in the specific context of the Keynesian Revolution. Section III considers the current state of "development economics" in the light of Kuhn's theory and shows that a borrowed framework of analysis from the developed economies may be responsible for much of the so-called failures of the subject.

I

In analysing the historical process of scientific development, Kuhn proceeds from the hypothesis that a definite identifiable structure can be observed in the development of any science. In the first or pre-history stage of science, there are competing schools of scientific activity confronting the same range of natural phenomena, attempting to explain and interpret them in different ways. In course of time, such initial divergences disappear, and a "paradigm" emerges, constituting the beginning of history. A paradigm is defined as a scientific achievement which is sufficiently unprecedented to attract an enduring group of adherents away from competing models of scientific activity, and is sufficiently open-ended to leave problems for the redefined group to resolve. It is this open-endedness that gives a particular paradigm the ability to endure. At the time of its appearance, a paradigm is limited in its scope and precision, but once accepted, it becomes an object for further articulation under new conditions. Research activity based upon a certain conceptual and instrumental framework provided by one or more paradigms is called "Normal Science". The next stage in scientific evolution is reached when observed phenomena cannot be explained in the limits of the "paradigm". "... Novelty emerges only with difficulty, manifested by resistance, against a background provided by expectation. Initially, only the anticipated and usual are experienced even under circumstances where anomaly is later to be observed." The revolution occurs, and this leads to the acceptance of a new paradigm.[1]

This approach has obvious limitations in the development of a social science such as Economics.

To begin with, we have to bear in mind some basic differences between the social sciences and the physical sciences. The first and most obvious is that there can be no controlled experiments to test economic theory. As a result, economists have to rely on indirect methods, *viz*, examine the assumptions for their degree of approximation to reality or test the implications of the theory. Econometrics has an important contribution to make in this respect but it is far from empirical experimentation as understood in natural sciences. Econometricians face important problems in passing from the reduced form in which the system is observable to the true structural form which may not be observable at all. The transition involves certain assumptions, and the structure derived depends on what assumptions are made. In the nature of the case, it is more difficult to weed out poor theory. Furthermore, it provides ample ground for the existence of more than one paradigm providing competing "schools of thought". The difference between such competitive paradigm situations and pre-history may appear tenuous to an outsider, but is endemic to the specific nature of Economics. Hence the co-existence of the Keynesians and the monetarists, and at an even more fundamental plane of difference, that of the neo-classicists and the marxists.

In the face of very limited scope for empirical verifiability, the commitment to "the accepted paradigm" limits research with crucial consequences in the case of Economics than would be true in the case of physical sciences.

Secondly, owing to the interdependence of the system as a whole, the recognition of a new paradigm involves more confusion and debate in the process. Thus, classical economists, brought up in the traditional thinking of the economic system in terms of certain behavioural relationships, had a hard time understanding and accepting an alternative approach of Keynes which emphasised a causal chain different from theirs.

Lastly, since socially significant policy implications are frequently drawn from economic theory, the paradigm has an important role to play and a greater burden to bear than in the case of physical sciences.

II

The evolution of macro-economic theory provides a classic illustration of the applicability of Kuhn's theory to Economics.

The classical macro-economic theory as understood by a contemporary student of Economics would be: real output is determined by the production function given the real wage which is determined by the labour market equilibrium through price flexibility. The rate of interest is determined by the Saving and Investment functions, once the output is given, while the price level is determined by the money market equilibrium. Expectations are assumed away, and the system can be solved explicitly.

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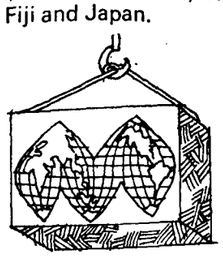
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Growth of Exports

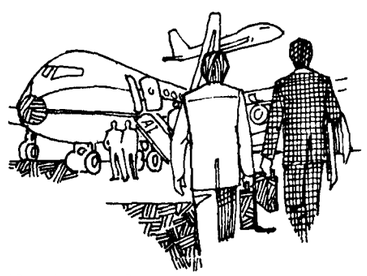
Exports have risen from Rs. 3.9 crores in 1968-69 to about Rs. 32 crores in 1973-74. The exports include Rayon and Synthetic Fabrics, Garments and Made-ups, Hosiery and Knitwear, Rayon Tyre Cord/Yarn and miscellaneous items.

The major countries to which India exports are Poland, Bangla Desh, Iran, Afghanistan, Saudi Arabia, Singapore, Indonesia, Canada, U.S.A., the U.K., Nigeria, Dubai, Fiji and Japan.



Scope for Expansion

Encouraged by this record performance, the Council has set the export target at Rs. 40 crores for the current year. This was announced by Shri Bhogilal (Manubhai) N. Kothary, Chairman, at the 20th Annual General Meeting. In his view, it may be even possible to touch Rs. 50 crores, if certain additional facilities are available. The Rayon and Synthetic Industry offers scope for achieving a very high rate of expansion. It is one of those industries which is responsible for the present day prosperity of advanced countries. If due recognition is given to its role in the Indian economy and if it is provided with necessary inputs at proper prices, it can utilise its production capacity at an optimum level and offer the goods for exports at competitive prices.



Business Tours

To encourage more and more manufacturers and exporters to undertake business tours abroad and expand export activity, the Council plans to extend financial assistance in such cases where it is satisfied about the size of business as well as the commitment involved. Such business tours will help realise better unit values and open up new avenues for trade expansion.



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The classical economists adopted a paradigm of price flexibility and perfect competition, and the facts seemed to correspond pretty well with this paradigm. In this accepted framework, Economics developed in Kuhn's "normal science" terms. A great deal of emphasis was placed on micro-economic analysis and macro implications were deduced generally on the basis of aggregation. For example, Marshall was mostly concerned with the partial equilibrium approach in the study of micro-economic problems. Thus, the demand for labour by a firm is the marginal productivity of labour (MPL) curve. Labour is employed by the firm until real wage equals MPL. The MPL curve slopes downward due to the law of diminishing returns. Therefore, a cut in real wage leads to an increase in employment of labour by the firm. On aggregation, we get the macro rule that a fall in real wage leads to an increase in employment.

The classical paradigm with its causal behavioural relationships could not explain why a fall in real wage would not lead to greater employment. Any existing unemployment in the economic system was therefore voluntary because if these workers were only willing to accept a lower wage, they would be employed. Keynes, however, gave an alternative definition of involuntary unemployment. A person is involuntarily unemployed if he/she would be willing to work at a lower real wage than the current real wage, whether or not he/she is willing to accept a lower money wage. Keynes attempted to explain the existence of this unemployment in theoretical terms, and analyse measures which should be taken to correct this.

The limitations of paradigm-oriented research are clearly seen when the above process is analysed in its historical context. In the Great Depression of the 1930s, unemployment soared high in the capitalist economies. The volume of unemployment in the United States and Germany, both highly industrialised economies which had experienced high levels of employment in the 1920s, amounted to about one-third of the total labour force in each country.

Various diagnoses of the depression problem within the classical paradigm were put forth. Hawtrey had his purely monetary theory of the business cycles which said that changes in the "flow of money" are the only causes of business fluctuations. An easy-money policy can stimulate any revival by inducing the merchants to invest in liquid and working capital. This theory is hardly convincing in view of the failure of the monetary policies to combat the Great Depression. The monetary over-investment theorists (Hayek and Mises) derived their business cycle theory from Wicksell's interest theory. Whenever market rate is pushed below the natural rate, the cumulative process begins. Downturn occurs when the banking system fails to supply sufficient credit. If only the market rate can be pushed below the natural rate, the cumulative process begins. But if the natural rate is very low, then what? These theories implicitly assumed that the natural rate is always so high that it is possible to find market rate of interest low enough to stimulate investment. Again, the non-monetary over-investment theorists explained the depression in terms of too little saving, and the under-consumptionists in terms of too much saving, irrespective of whether investment offsets for these savings are provided for or not. Schumpeter with his innovations theory of business cycles, explained the depression in terms of agrarian crises, protection, high taxes, high wages, high interest rates and therefore due to failure of the assumptions of price flexibility.

Awareness of Anomaly

As Kuhn says, "Discovery commences with the awareness of anomaly, i e, with the recognition that nature has somehow violated the paradigm — induced expectations that govern normal science". In Economics, again, the awareness of the anomaly itself may take a long time. One would go through a whole process of repeated diagnoses of the problem and the corresponding policy prescriptions; the ineffectiveness of the same would however direct attention towards a different diagnosis of the problem.

Keynes *felt* the effective demand problem in his Treatise which he published in 1930. He realised that all the savings were not being transformed into investment automatically. Yet his diagnosis was in terms of the classical paradigm. He considered Saving and Investment both to be functions of the rate of interest. According to the classical paradigm, the rate of interest should adjust freely till it comes to the level where the *ex-ante* Saving is equal to the *ex-ante* Investment. Thus, if for some reason, the rate of interest does not move, monetary policy should be directed to this end. He advocated monetary policies to affect the rate of interest to bring about the equality. He had to live through the depression and see the failures of the monetary policies to recognise the anomaly that the classical paradigm could not explain correctly.

Kuhn's piece of research on the multiplier came in 1971. Keynes was beginning to see the flaws in the classical paradigm for the analysis of the unemployment problem. There are two major economic problems: the problem of achieving full employment and the problem of allocating resources in a full employment economy. The classical paradigm had an automatic full employment solution. In the face of unemployment in the real situations, and the necessity to move towards full employment through policy measures, Keynes gave a meaningful theory with which to attack the first problem. The availability of the multiplier theory and Keynes' recognition of the effective demand problem came around the same time which leads one to suspect that the missing link was provided by the consumption function which Keynes put forward as a psychological postulate. Thus, Saving is a function of income and is relatively insensitive to the rate of interest. Similarly, Keynes argued that investment expenditures are insensitive to changes in the rate of interest. The interest rate enters the demand relation for investment through its influence on the discount rate applied to expected future earnings. In a world full of risk and uncertainties, the non-interest components of the discount variable may far outweigh the interest component. The calculation of the depreciation allowances over a period shorter than the actual life time of the machine is one example. Thus, Keynes said, investment can be taken as autonomous for practical purposes. He thus derived the Saving-Investment theory of output. The interest rate was determined by the liquidity preference theory.

To recapitulate, Keynes observed some price rigidities in economic systems (wage rigidity due to the Trade Union pressure, money illusion of the labourers, interest rigidity due to dynamic expectations) and held that the classical paradigm would not give an automatic solution of full employment. He realised that savings do not get channelled automatically into investment, and looked for measures in the classical paradigm to equate the two only to discover that the determinants of the classical theory of interest were to determine the level of output in his system. In his efforts to build a substitute theory of interest, Keynes developed the concept of a liquidity preference function. He analysed the role of expectations, although he was carried away by this to some extent so

that he ignored the thrift-productivity considerations in the determination of the rate of interest. Thus Keynes stepped out of the classical paradigm to give an alternative analysis of the interdependent economic system.

III

Notwithstanding a general belief that problems of economic development require special consideration as issues of economic research, most research in this field has been within a framework borrowed from the neo-classical growth theory. The latter is essentially based on some simplifying assumptions, *viz*, substitutability in production, maximisation in behaviour and perfect competition in institutions. In developing economies, with their fragmented markets, lack of factor mobility, pervasiveness of uncertainty in the agricultural sector and dependence on borrowed technology, these assumptions are far from the "truth". In fact, a second order of research has therefore concentrated on how to approximate this assumption through institutional reforms as witness the attention devoted in this respect to land and capital market reforms.

When analysed in the context of the neo-classical paradigm, certain specific features of developing economies are characterised as "distortions", which once identified permit application of the extended paradigm. The co-existence of surplus labour with positive wage rates reflects one such distortion. Other examples are the regulated prices of capital and foreign exchange which do not reflect their true scarcity value. This opens up another area of research, i e, determining the true "shadow" prices of the various factors.

The standard point of departure in analysing problems of economic development is the specification of an explicit objective function. Some examples are the maximisation of present output, maximisation of empolyment or the maximisation of the rate of growth of output. On assumptions similar to that of the neo-classical growth theory, the pursuit of the specified objectives implies alternative strategies of economic development, e g, maximise the use of labour through adoption of labour-intensive techniques, maximise savings and/or exports for an open economy. When different objectives are not mutually consistent, suitable constraints are used to modify a simple objective function. Once the objective function is specified, the planning process consists in mobilising and allocating reserves to maximise the same.

If a paradigm may be rendered ineffective over time as observed reality changes, there is no reason that it may not be equally ineffective when observed reality differs between countries. A cross-sectional approach has its limitations. When a paradigm fails to take account of the differences, it needs to be suitably amended or rejected.

Note

1 It may be noted that Kuhn's theory presents a structure of scientific development based on empirical observation. As observed reality changes through time, the old paradigm is either widened or rejected to accommodate the changing reality. What explains the changing reality and the character of change is a different and more fundamental question. An answer is provided in terms of the notion of dialectics. Everything is in continual process of becoming and ceasing to be; nothing is permanent but everything changes and is eventually superseded.

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NEW DELHI,
DATED THE 2ND SEPTEMBER, 1974.

C. D. KHANNA
CHAIRMAN

davp 806 (9)/74

Reducing Growth Rate of Population through Declines in Mortality

A Note

S K Rao

The purpose of this note is to demonstrate how fertility rates may fall more than proportionately as mortality rates decline given certain rationalistic premises.

In the first section a model is set up to demonstrate the above; in the second section the realism of the assumptions underlying the model is discussed; and in the last section the implications of the model to population policy are mentioned.

I

SUPPOSE that:

(a) Every couple wish that at least one child survives them and that they *control* their fertility behaviour such that they have a minimum number of children to ensure that at least one child survives them.

(b) A couple feel *confident* that at least one child will survive them if the probability of death of all the children they have is not greater than ten per cent.

In short the aim of a couple is to have the minimum of babies necessary to ensure that at least one child survives them with ninety per cent confidence.

Given these assumptions how would fertility rate behave as mortality rates fall?

Denote that:
s=survival rate, and
x=number of births.

Assumptions (a) and (b) above give us the condition,

$$(1-s)^x \leqslant e^{-1} \qquad (1)$$

$$x \log (1-s) \leqslant -1$$

$$x \geqslant \frac{-1}{\log (1-s)}$$

Define that $g = x.s$ (2)

$$g = \frac{-s}{\log (1-s)}$$

$\log (1-s) \searrow -s$ as $s \to 0$

Therefore, $g \to 1$ as $s \to 0$

$$\frac{dg}{ds} = -\frac{1}{\log (1-s)} - \frac{s}{[\log (1-s)]^2} \cdot \frac{1}{1-s}$$

$$= -\frac{1}{\log (1-s)}\left[1 + \frac{s}{1-s} \cdot \frac{1}{\log (1-s)}\right]$$

as $s \to 0$, $\left[\log (1-s) \searrow -s - \frac{s}{2}\right]$

$$\frac{dg}{ds} \searrow -\frac{1}{-s}\left[1 + \frac{s}{1-s} \cdot \frac{1}{-s\left(1+\frac{s}{2}\right)}\right]$$

$$= \frac{1}{s}\left[1 - \frac{1}{(1-s)\left(1+\frac{s}{2}\right)}\right]$$

$$\searrow \frac{1}{s}\left[1 - \frac{1}{\left(1-\frac{s}{2}\right)}\right]$$

$$= \frac{1}{s} \cdot \frac{-\frac{s}{2}}{1-\frac{s}{2}}$$

$$= -\frac{1}{2} \cdot \frac{1}{1-\frac{s}{2}} \to -\frac{1}{2} \text{ as } s \to 0$$

as $s \searrow 1$, $(1-s)\log(1-s) \to 0$

$$(1-s)\left[\log (1-s)\right]^2 \to 0$$

$$\frac{dg}{ds} \searrow -\frac{s}{1-s} \cdot \frac{1}{\left[\log (1-s)\right]^2} - \frac{1}{\log (1-s)}$$

Therefore, $\frac{dg}{ds} \to -\infty$ as $s \to 1$

It could be verified that $\frac{d^2g}{ds^2} \leqslant 0$

for all $0 \leqslant s \leqslant 1$

If $\left[\frac{-1}{\log (1-s)}\right]$ denotes the least integer greater than $\frac{-1}{\log (1-s)}$, then

$$g = s\left[\frac{-1}{\log (1-s)}\right].$$

Further, given that $x \leqslant x^*$, where x^* is the fecund limit,[1] the behaviour of x and g as s increases is shown in Diagrams 1 and 2.

Diagram 1 shows how the birth rate x and the growth rate of population g would behave as survival rates improve assuming that x can be a continuous number; Diagram 2 shows the same where x is discrete. It is more convenient to refer to Diagram 1 where the relationships are more naked to the eye than in Diagram 2 even though the basic relationships are identical.[2]

What emerges is that: (a) as survival rates improve birth rates might remain flat and growth rates rise upto a point; after that birth rates fall more than proportionately and growth rates decline. The initial unresponsiveness of birth rates to improvements in mortality is due to the fact that at very low survival rates the minimum children required to ensure the survival of at least one child with some confidence may be so large that it might exceed either the fecund capacity of the mother or the economic capacity of the family to support so many children to start with. (b) Curiously, the number of children a couple might end up with on average (x.s) might be larger than the desired number which in our example is assumed to be one. That is to say, a couple in an attempt to hedge against the risk of losing all the children have so many extra babies that in general the actual number of surviving children exceed the desired number of children. Such a discrepancy is larger the smaller is the survival rate confronting an individual couple.

II

That the growth rate of population tends to decline in response to improvements in survival after a critical point

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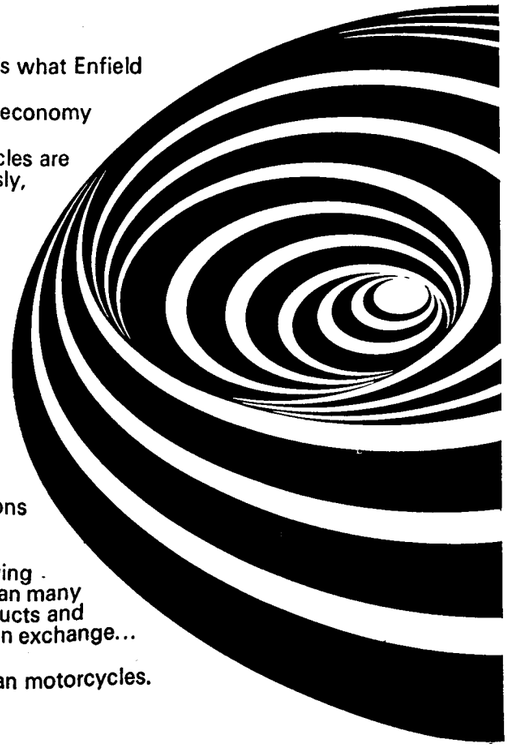
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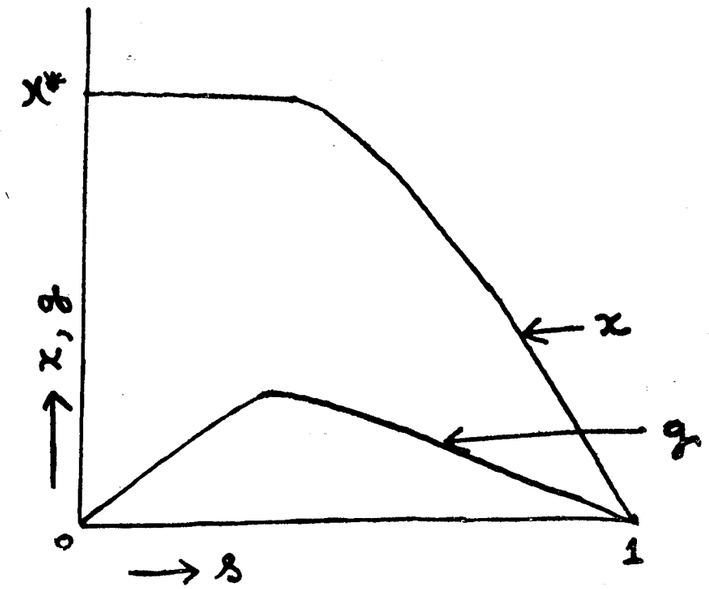
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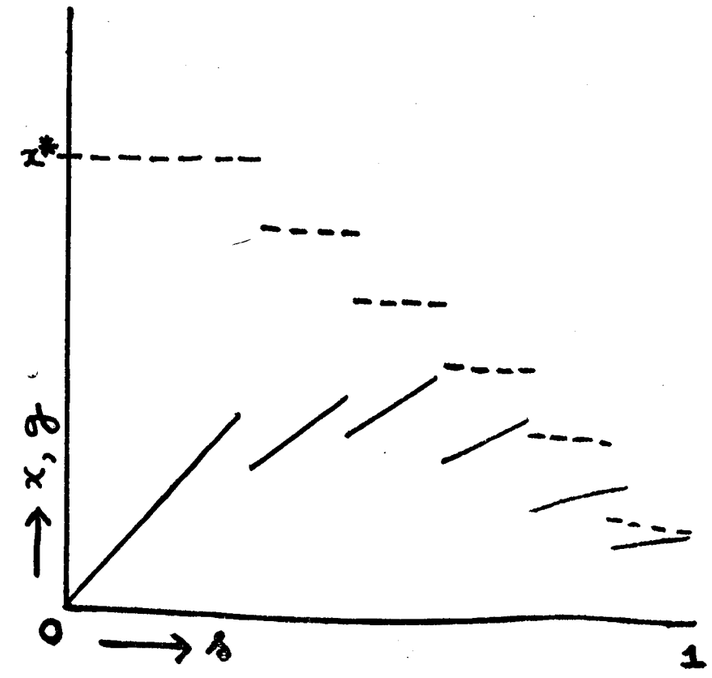
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DIAGRAM 1: CONTINUOUS CASE



x = number of births per woman; x* = the fecund limit;
s = survival rate; g = x.s

DIAGRAM 2: THE DISCRETE CASE



. x
——— g
x = number of births per woman; x* = the fecund limit;
s = survival rate; g = x.s

is demonstrated on the basis of some assumptions. How realistic are they?

First, it should be pointed out that it is not crucial whether we assume that the desired survivals is one; it can be any number. The larger the minimum of survivals desired, the later would be the point after which the growth rate starts declining; the basic relationships would remain unchanged. For example a couple might not think in terms of the survival of one child at least but that it has to be a male child;[3] such a behaviour would have the effect of increasing the minimum number of births necessary for there is only half the probability that any child born is male.

The crucial assumption in the model is really that parents worry about the possibility of losing all their children and plan the number of births to hedge against such a risk.

This is an assumption which is not easy to test by looking at the statistics of births and deaths. What one could say in favour of the assumption is that it presumes rationality on the part of the parents and therefore ought not to be ignored in a population policy which relies on rational persuasion. Further, from what one could gather from various social surveys there seems to be some evidence in favour of such an assumption. For example, a study conducted by the United Nations in Karnataka, records that, "the fear of losing children as a motive for having more of them was poignantly stated by a woman aged 20 years, having one daughter, five years old and expecting another child, in the following terms: 'If this daughter dies then what will happen to my home? Another child will certainly make my home happier.' A rural mother who had lost one of her daughters and had another six years old wanted two boys because, 'out of the two I had, one is already gone. I would like to have more to be sure of at least some child surviving me.' A villager whose wife was pregnant said, 'I have only one son. I lost two and I am really anxious to have more'" [United Nations (1961) p 146-7].

It is not easy to indicate the level of confidence people aim at when they are hedging against the risk of losing all the children. However, some of the motives stated by parents for having children — 'to be taken care of in old age', 'to increase family income'[4] — make one suspect that the confidence limit must be fairly high. Again the basic relationships suggested in the model would remain valid whatever the ac-

6 Per Cent State Government Loans, 1984

	State	Amount of Loan (In crores of Rs.)
* 1	Andhra Pradesh	12.75
* 2	Gujarat	1.00
3	Himachal Pradesh	1.25
* 4	Karnataka	6.75
* 5	Kerala	1.00
* 6	Maharashtra	9.75
7	Manipur	3.25
8	Meghalaya	3.50
9	Nagaland	5.25
*10	Rajasthan	2.25
*11	Tamil Nadu	8.75
12	Tripura	1.50
*13	Uttar Pradesh	18.25
	Total	75.25

* Second Issue

All the above loans will be issued at Rs 99.00 per cent and will open for subscriptions on Friday, 27th September 1974 and close on Monday, 30th September 1974 or earlier without notice as soon as subscriptions approximate to the amount of each issue. All the State Governments reserve their right to retain subscriptions upto ten per cent in excess of the notified amounts.

The loans will be redeemable at par on 27th August 1984. Interest on the above loans for the period 27th September 1974 to 26th February 1975 inclusive will be paid on 27th February 1975 and thereafter payment of interest will be made half-yearly on 27th August and 27th February each year. Interest in respect of all loans will be liable to tax under the Income-tax Act 1961. Interest on Government securities along with income in the form of interest or dividends on other approved investments will be exempt from Income-tax subject to a limit of Rs 3,000/- per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961.

The value of 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, 1957 will also be exempt from the Wealth Tax upto Rs 1,50,000/-.

Subscriptions may be in the form of CASH/CHEQUE.

Applications *for all the loans* will be received at the offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna and the State Bank of Bikaner and Jaipur at Jaipur.

Applications will also be received *at other places within the* respective States as follows:

(i) Branches of the Subsidiary Banks of the State Bank of India conducting Government treasury work except at Hyderabad; and

(ii) Branches of the State Bank of India at places where there is no branch of its Subsidiary Banks conducting Government treasury work;

Applications for Himachal Pradesh, Kerala, Meghalaya and Nagaland State Loans will also be received at treasuries and Sub-treasuries in the State of Himachal Pradesh, Kerala, Meghalaya and Nagaland respectively at places where there is no branch of the State Bank of India or its subsidiaries conducting Government treasury work. Applications for Uttar Pradesh State Loan will also be received at the District Treasury, Chamoli.

Copies of the Notifications and Application Forms may be obtained from any of the Receiving Offices mentioned above.

In the event of over-subscription to the loan applied for, applicants tendering applications at the offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna will be given the option of transferring their cash refunds to any other State Government loan which may still be open for subscription. To avail themselves of this facility, applicants should complete the "Special Option Form", copies of which can be obtained at any of the offices of the Reserve Bank of India mentioned above and tender the form along with their applications.

tual confidence limit is. What is important is that people *do* aim at some confidence limit.

What is disputable among our assumptions is whether people do limit the births after they have had the minimum number of children necessary to ensure a stated number of survivals. At the worst what can be claimed in favour of the model is that it demonstrates the limits to a birth control programme. It emphasises how the motivation to adopt birth control practices may be linked to improvements in survival chances — so that expenditures on family planning and mortality reducing activities need not be looked upon as competing but complementary to each other.

But perhaps it is not altogether unrealistic to think that, provided there is motivation, parents do search for various means of birth control and adopt them so that one may expect some spontaneous declines in birth rates following declines in mortality. The fact that most of the declines in birth rates in Europe during 19th Century followed earlier declines in mortality — albeit with a lag — and in an atmosphere of great religious taboo against artificial methods of contraception — not that there were many available[5] — suggests that in the less developed countries today the sluggish response to the intensive birth control propaganda may be due to lack of motivation because of high mortality rates.

Various empirical studies on fertility behaviour published recently support the point of view embodied in our model. Gosta Carlsson (1966) argued that the persistent regional differentials in fertility in Sweden during 19th Century cannot be explained in terms of a lagged response to an innovation, *viz*, the idea of limiting family size, for they existed before the great decline in fertility began. He argued that Swedish couples practised birth control before the start of the great decline and that the persistent differentials can only be explained in terms of mortality differentials. Coming to contemporary times, Harald Frederiksen (1961), (1966), (1966A), found, on the basis of a study of inter-district changes in Sri Lanka and from a cross-section study of 21 countries which differ widely in their levels of living, that changes in birth rates are inversely related to the excess of births over deaths in the initial period.

Most of the cross-section studies on fertility behaviour in India started on the *premise that the cultural aspects are important in explaining fertility* differentials;[6] yet the general finding of these studies seems to be that 'fertility is not significantly related to income, literacy, education, occupation or caste, except in the topmost ranks' [Myrdal, (1968), p 1446].

We suggest that the differentials in fertility can be better understood if one relates them to survival rates. A great deal of the information available in the case studies is not readily usable to test our hypothesis as it has been tabulated from a different point of view. Still, with this proviso, we quote statistics on fertility and survival from two case studies in India in Table 1.

Rele's data in Table 1 are based on a survey of a rural area in Banares Tehsil, UP, and the Mysore Population Study refers to Karnataka state. In both cases the data on fertility and mortality are tabulated from a different point of view. Rele's "Class I includes higher castes such as Brahmins and Kshatriyas; Class II embraces Hindu castes of intermediate social status and Class III has both lower Hindu castes and scheduled castes. All non-Hindus, virtually all of whom are Muslims make up Class IV." [Rele (1963)]. The Mysore Population Study on the other hand groups the data according to the degree of urbanisation. In spite of these statistical problems of grouping it is interesting that in both the case studies fertility (Column 1) is generally inversely related to survival chances (Column 2) so that the differences in the average number of surviving children per woman (Column 3) are not so large as in fertility. In both the cases the group which enjoyed the best survival chances for it's children had the lowest fertility and the groups which faced the worst survival conditions tended to have higher fertility rates.

A comparison of inter-regional changes in survival conditions and birth rates in India over the first half of the Century (see Table 2) seems to support the view that mortality conditions have an important bearing on fertility behaviour. It supports the expectation that declines in birth rates tend to be greater where the survival conditions improved most. The South and the Central parts which had the least improvement in survival conditions had the least declines in birth rates. The Northern and the Western parts which had experienced much better improvements in survival conditions have also had greater declines in birth rates. The East is an exception to this broad trend.

What little evidence we can gather, then, suggests that the assumptions underlying the model are perhaps not unrealistic; indeed the empirical findings are consistent with the behavioural relationships derived in the model.

III

That reductions in mortality could be followed by decreases in growth rates of population has some interesting implications to population policy. First, the lament that the quick reductions in mortality rates have led to an explosion in growth of population making it difficult to achieve economic growth is, apart from being a very bankrupt kind of thing to say, perhaps posing the problem wrongly — for according to our logic rapid and far-reaching reductions in mortality may bring about reductions in *growth rate* of population. This task might be successfully accomplished if rapid reductions in mortality are coupled with accessible service and

TABLE 1: FERTILITY RATES AND SURVIVAL RATIOS FROM TWO CASE STUDIES IN INDIA

	Children Born Per Woman (1)	Survival Rate* (2)	Number of Children Surviving Per Woman (3)
Rele's Data			
Class I	6.81	64.2	4.4
Class II	7.66	56.7	4.3
Class III	7.20	58.1	4.2
Class IV	7.86	57.3	4.5
Mysore Population Study			
Rural Hills (1)	7.2	56	4.0
Rural Hills (2)	6.7	54	3.6
Rural Plains	6.3	62	3.9
Towns	6.7	61	4.1
Bangalore City	5.2	66	3.4

* In the case of Rele's data this refers to the age group 30+; the Mysore Population Study excludes the effects of differences in age composition — i e, given standardised rates.

Sources: Rele (1963), and United Nations (1961), Chapters 8 and 10.

means of birth control. What should be emphasised is that there may be a limit to the success of birth control propaganda without further declines in mortality rates.

How can the mortality rates be further reduced? No doubt there is still some scope for declines in mortality through purely public health measures. But ultimately it is the improvements in nutrition and housing, etc, which will have a telling effect on survival chances. Paradoxically, then, it is vital to allow essential consumption to rise to trigger off declines in fertility which could in turn *release* a lot of resources which *could be* used for investment.[7]

TABLE 2: CHANGES IN BIRTH AND SURVIVAL RATES BY BROAD REGIONS, INDIA 1901-11 TO 1951

Zone	Per Cent Change in Expectation of Life at Birth (1)	Per Cent Change in Birth Rate (2)
North	+114	—33
East	+ 67	—30
South	+ 29	—15
West	+202	—35
Central	+ 54	—13
N-West	+221	—26

Note: Both Columns (1) and (2) show changes in rates standardised for age composition.

Source: Computed from Saxena (1967).

Notes

[In writing this note I have greatly benefited from discussions with K Dayanithy and N Panchapagesan who have helped me in constructing the mathematical proof contained in this paper. I am also grateful to M V Posner, Luigi Pasinetti and Amit Bhaduri who have given me comments on an earlier version of this paper. Of course, none of the people mentioned are responsible for any errors that remain.]

1 x^* can also be interpreted as the economic limit, i e, the limit beyond which a couple consider it too burdensome to have children for economic reasons even though there is still a risk of losing all of them. Such a limit would, of course, vary from individual to individual.

2 These results are similar to those obtained by May and Heer (1968) based on a computer simulation exercise. Their assumptions as well as the aim of their exercise are similar to our's and credit is due to them for the pioneering research they have done. We may, however, claim a modest advance over their research in three respects: first, we provide the proof, the *rationale* for the results which is missing in their paper. Second, we go more deeply into the realism of the assumptions underlying the model. Third, our reading of the implications of these results to economic policy are slightly different from theirs.

3 See May and Heer (1968). They find that nearly 25 per cent of the mothers in India do *not bear* enough children to ensure the survival of at least *one son* given the mortality conditions prevailing in India during the mid-fifties.

4 See United Nations (1961), and and also Agarwala (1962), United Nations (1967).

5 For a review of the historical experience of Europe, see Coontz (1961); also United Nations (1967).

6 For a review of some of these studies, see Myrdal (1968) and Agarwala (1962).

7 We wish to emphasise that a lower growth rate of population does not necessarily *lead to* economic growth. It helps in augmenting the surplus available for investment; whether it does in fact materialise into investment or not depends upon the existence of an institutional framework which is capable of transforming such a surplus into investment.

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Joint Sector and 'Control' of Indian Monopoly

A Comment

H K Paranjape

IN his article "Joint Sector and 'Control' of Indian Monopoly",[1] Aurobindo Ghose has attempted to examine the whole problem in a particular context. My own views about what the joint sector can and should be — and should not be — and why have been already stated in my various articles on the subject.[2] It is not necessary therefore to go into details. However, as Ghose has made certain comments about my views, it will perhaps be useful if I clarify the position.

Ghose is quite right when he states that there is "little uniformity and even less agreement on what constitutes the joint sector". The term has been used by various persons in their own way and this certainly causes much confusion. But this is a difficulty that we have to face in social sciences. After all, when even a much more important term like Socialism means different things to different men, what can we expect of an obviously contrived term like the 'joint sector'. May be that the Dutt Committee would have done well to avoid a term which, as Ghose rightly points out, has already been used by others to mean something different from what the Committee had in mind. This does not, however, necessarily mean that had the Committee used some other term, it would not have been twisted later to support something different.

NATURE OF JOINT SECTOR

As Ghose states, one can conceive of a middle zone of mixed ownership enterprises in India in addition to pure public and pure private enterprises. He makes a further distinction between (a) the mixed public enterprise and (b) the mixed private enterprise. The former according to Ghose, is "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 latter has opposite characteristics such as "(i) minority 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." But Ghose also states that the distinction between the two types "turns round the character of 'effective control' of the enterprise". He appears to overlook the possibility that majority ownership of equity may not be necessary for effective control; that in most large enterprises, control over 20 per cent of equity can provide effective control, if the remaining equity is widely dispersed. His first characteristic may thus be seen to be not an essential one. From this it also follows that enterprises like TISCO, CIMMCO, Premier Tyres or ACC need not be automatically ruled out from the first category merely on the ground of minority ownership, as long as no private group controls a large proportion of equity than public financial institutions. Ghose is right in pointing out that in so-called joint sector companies formed under the 26 (State Government): 25 (private sector): 46 (general public) formula, it may well happen that the government will not be in effective control even if it is the largest single owner of equity. But the important factor is effective control — not majority ownership.

I agree with Ghose that if the approach is to be a government nominee as Chairman and a nominee of the private collaborator as Managing Director, it is likely that effective control will be with the latter. My emphasis however has been that it is not necessary; it would be dangerous in any case, to accept the joint sector as a kind of partnership between government and a private business group. That was the main emphasis of my article in *Mainstream*. Unfortunately government appears to have fallen prey to this use of the term joint sector.

Ghose however appears to place too much emphasis on statutory control and accountability. He overlooks the fact that public enterprises have proved in the past neither enterprising nor adequately oriented to public purpose in spite of full statutory accountability by the Comptroller and Auditor General. As a matter of fact, it is well known that legislative accountability wrongly interpreted has been an important factor leading to Secretariat control and overcentralisation in public sector enterprises; and CAG audit has many times tended to create a 'procedures first' rather than 'performance first' approach in them. Our public enterprises have surely not been shining examples of success so as to suggest that these aspects of their organisation must be reproduced in the joint sector-mixed public enterprise category.

MISREPRESENTING DUTT COMMITTEE?

This brings me to Ghose's conclusion that I am a proponent of the approach "arguing for the enlargement of the role of the private sector but of course with public funds and some semblance of public control" and that, in effect, my approach is essentially the same as that proposed in the Tata Memorandum. It is even suggested that I am misrepresenting the recommendations of the Dutt Committee. While "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", I am said to be making out, "as if the Dutt Committee recommended the joint sector as the optimum instrument of development of Indian industry". In making this statement, Ghose is relying on my *Mainstream* article.

It is always difficult even to argue about what an individual author really meant; it is far more difficult to argue about what a Committee really meant, even though perhaps as one of its three members it may not be considered presumptuous of me if I attempt to indicate what the Dutt Committee's Report implied.

But my task has been made easier by Ghose who has quoted from the Report and stated that "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".

Ghose sees red at my emphasising the important potential role of the joint sector because he assumes that the joint sector of the Dutt Committee — and which I also have in mind — is what he has called the 'mixed private enterprise'. But he has no reason to make

any such assumption. The idea of the joint sector has been spelt out by the Dutt Committee in its Main Report in paras 8.15 to 8.18. Para 8.15 deals with what may fall under what Ghose has called Mixed Public Sector — majority equity held by government but with some equity held by private individuals. Paras 8.16 to 8.18 deal with the other type — where government may not own or control majority equity but it is made certain that "the State takes an active part in direction and control". Effective control is envisaged — and for that purpose it is suggested that the idea that the equity held by public financial institutions should not be normally used for appropriate participation in private sector concerns should be "firmly set aside". "This would ensure that the management of industry is conducted according to the overall policies laid down by government, and that public interest and not merely

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ate profit would guide the operations of large industrial undertakings in the private sector. This would also be an important means of curbing the increasing concentration of economic power. Thus the development of the 'Joint Sector' on these lines is, in our view, an important instrument for the attainment of this objective", i e, to curb the increasing concentration of economic power. It should be noted that all this is written in relation to the joint sector — not government companies. This should suggest that Ghose should not have at least alleged that I am misrepresenting the Dutt Committee. This is not to say that the Dutt Committee's ideas need to be treated as sacrosanct!

It is important to note why the Dutt Committee had thought of convertibility of loans into equity as an important part of the joint sector development. "This purpose [of proper representation for the State in management] may be achieved", it was stated, "by the Financial Institutions insisting on the whole or part of their assistance in the form of loans and debentures being convertible into equity at their option and, if necessary the law should be amended to provide for this". Whether the convertibility was to be only for future loans or also for past ones was left vague — deliberately in my view as to give government an opportunity to announce retrospective convertibility at an appropriate time; but the reference to the law being amended could have no further implication. What was contemplated was that, in the cases of key companies, such retrospective conversion should take place so that the financial institutions should have a substantial chunk of equity in them. This was combined with the other suggestion that the equity of all the institutions should be used to obtain appropriate representation for the State in the management of these concerns and that a body of full-time Public Directors should be created for that purpose. The implication was that, in a large number of key companies, such conversion to the joint sector would bring those concerns under the effective control of the state. They would not formally be public sector concerns, the majority equity may not be with government or financial institutions; but in effect they would be operating under State control.

Extension of Dutt Committee Approach

It is necessary to emphasise that in my recent writings I have gone further than the Dutt Committee though I do think that my suggestions are in keeping with the logic of the Committee's policy recommendations. The Dutt Committee had specifically decided not to spell out the organisational details regarding the joint sector. While pointing out that the joint sector would be an instrument for curbing the concentration of economic power in private hands, it had not specifically pointed out how the joint sector could be effectively used for the purpose. In this connection, it needs to be recalled that the MRTP Act was put on the Statute book some months after the submission of the Dutt Committee's Report. What I am now suggesting goes beyond the Dutt Committee. I may mention that my main pleas have been as follows:

(1) Many of the key companies in the private sector can be converted into joint sector companies by retrospective conversion of public loans into equity, effective and purposeful use of the provisions of Chapter III of the MRTP Act and the proper and purposeful use of the shareholdings as well as other inherent powers enjoyed by financial institutions in the public sector such as term-lending institutions, the LIC, general insurance companies, the Unit Trust and nationalised banks.

(2) The break-up of the so-called Larger Houses as well as conglomerate companies can be effectively brought about through the use of Section 27 of the MRTP Act — if necessary, with certain amendments — so that continuing concentration of economic power to the common detriment can be brought to an end speedily and effectively.

(3) The convertibility of term loans into equity can be so organised that it becomes a built-in device for automatic conversion of every private sector concern that grows beyond a certain size into a joint sector concern.

(4) The joint sector concerns can then be looked upon not as private sector concerns but as national enterprises whose further growth need not be hindered as far as what the MIC has called "country-wise monopoly" is concerned. Scrutiny from the angle of product monopoly may of course continue to be necessary.

(5) Nationalisation can be largely discarded with increasing use of the joint sector as a more economical instrument to bring large and key concerns in the private sector under effective public control. Ownership of such concerns would increasingly vest in public sector financial institutions, but much before majority control is obtained, the concerns can be under the effective control of public sector financial institutions who would be able to make sure that a good management is appointed and to supervise the results that are achieved.

(6) It is necessary that the public financial institutions' role in this matter should be properly co-ordinated and streamlined so that they should be in a position to carry out these new and vastly expanding responsibilities in an effective manner. It should be noted that this was already hinted in the Dutt Committee Report where it was said that it would be necessary to create a suitable, well-trained cadre of full-time Public Directors who will represent the State on the joint sector industrial concerns and that probably the best agency to do this work would be the IDBI.[3]

(7) The actual organisation of joint sector concerns may take many forms. Two possibilities are:

(i) a holding company like the SAIL for a particular sector; and

(ii) an industrial holdings corporation which would obtain the proxies for all the equity holdings of the public financial institutions in concerns other than those for which joint sector holding companies like SAIL are set up. As I had pointed out, "such an agency may also undertake investments on policy grounds where increasing the equity portfolio in a particular company is desirable on considerations of public interest, but the investment institutions do not find it worthwhile to do so in terms of their special objectives. This agency can build up an expert techno-economic set-up so that it becomes capable of keeping a watch over the operations of the major joint sector companies and stepping in to bring about changes in management personnel or policies where necessary."[4]

Why Joint Sector?

The main advantages that I claim for the joint sector are: (i) The question of Larger Industrial Houses can be solved "by means of a swift surgical operation" and this can help create a situation where basic changes in economic and administrative policies may be possible. When very large units would all be increasingly in the joint sector, there need be no inhibition regarding permitting them to grow. The economies of scale and the necessity to promote competition where possible will then become the main considerations governing decisions regarding the size of the units. Disortions such as encouraging uneconomically small units,

or not utilising the technical and economic growth potentialities of existing large units, which mar the present industrial policy will then obviously become irrelevant and unnecessary".[5] It may be noted that this is very much in keeping with the Dutt Committee's point that the joint sector approach would be of importance because "the objections raised to permitting large projects to be developed, even though such a size might be necessary on techno-economic grounds because of the fear that this would help build up a private industrial empire would become irrelevant".[6]

(ii) At the same time this would obviate the difficulties faced in organising large public sector enterprises from scratch. The joint sector units would provide the nuclei for healthy growth of certain important industries, making the best possible use of available technical and managerial experience in existing enterprises, while not permitting such growth to add to private concentration of economic power. Joint sector enterprises through proper use of professional managers already existing in the erstwhile private concerns would also help to avoid the undue dependence on elitist bureaucrats which is one of the features which has marred the healthy and efficient growth of the public sector.

Ghose concedes that I have suggested the extension of the joint sector concept to existing large private companies and break-up of dys-functional interconnections together with the professionalisation of management. But he is not sure that professionalisation of management is enough. What is the meaning of State supervision, he asks, and points out that I do not support public audit and parliamentary accountability. "Nowhere does Paranjape specify the mechanism of resolving public/private conflict in decision-making within a joint sector enterprise", he points out

While it may be true that I have not spelt out this matter in my writings — partly because details cannot be dealt with in occasional articles — I have indicated that:

(i) in the joint sector of my conception, there is normally no question of any partnership between the government and a private concern as such; and

(ii) the management will be nominated by the financial institutions who may operate through some kind of a holding company.

Normally, therefore, there would be no question of dual management or public/private conflict in decision-making. I have specifically pointed out that the joint sector concept in which there is a partnership between a Large House and the government is not desirable and that this might well lead to extension of private industrial empires on the one hand and the enhanced possibility of corruption and subversion of the whole concept on the other.[7] It was for this reason that I likened the acceptance of the joint sector concept by spokesmen of big business to the embrace of the boa-constrictor.

It is surprising that in spite of all this, Ghose comes to the conclusion that essentially my approach to the joint sector is no different from that of the spokesmen of private business such as J R D Tata. Of course, I do not think there is anything wrong if one finds occasional areas of agreement with business spokesmen. Thus I certainly agree with the point made in the Tata Memorandum that joint sector enterprises should not be burdened with the cumbersome and time-consuming procedures enforced in the public sector. On the other hand, I have made it very clear that the idea of joint sector as a partnership between the private sector company and the government, with the day-to-day management remaining in the hands of the private sector party, cannot be accepted without subverting the very basis of the concept as supported by the Dutt Committee.

Majority Ownership Not Necessary

The real reason for Ghose's antipathy to my approach arises from the fact that he places enormous emphasis on the Parliamentary accountability and public-audit aspects of the public sector. He also appears to think that majority ownership is essential, if a private sector concern is to be effectively controlled. I certainly do not agree with any of these points. My study of public enterprises extending over a long period has certainly convinced me that among the major factors that have made a mockery of the public sector in India are to be counted the wrong type of public accountability, the audit system and the bureaucratic and political dominance which make professional management of these enterprises difficult. I do hold that there are elements of healthy professional management in the large industrial private sector units which can provide excellent nuclei for the future growth of the concerned industry and that, once private ownership and control are changed through conversion of the enterprises into joint sector ones, the growth of such enterprises should be supported. Majority ownership is not necessary for control, though with term-lending institution, LIC, general insurance and major banks brought into the public sector, more and more equity capital in large concerns cannot but be owned by public sector institutions. It is not, however, necessary in my view to make a fetish of majority ownership, though this will automatically come about in course of time. What is operationally of immediate importance is effective control and this is possible even with a 30 per per cent equity holding.

I agree with Ghose that the term joint sector has been much misused and that a number of units are being set up, specially under State Government auspices which fit in with the ideas put forward by J R D Tata and FICCI, and that such joint sector projects are likely to be an aid to the growth of monopoly and not an instrument for curbing private concentration of economic power. My quarrel with him arises essentially because, in addition to wrongly emphasising aspects like majority equity, accountability and public audit, he appears to misunderstand my own approach to the joint sector.

Perhaps, as I mentioned earlier, the Dutt Committee would have done well to avoid using a term which had already been used with somewhat different meaning by other authors. The main point, however, is that if certain authorities in government and the spokesmen of Big Business wanted to twist the recommendations of the Dutt Committee and use a term supported by it in a wrong manner nothing could have stopped them from doing so. This, I am afraid, is what is happening with the concept of the Joint Sector.

Notes

[The views expressed here are personal.]

1 *Economic and Political Weekly*, June 8, 1974.
2 "Joint Sector", *Economic and Political Weekly*, November 10, 1973. "Joint Sector and the Boa-Constrictor", *Mainstream*, November 10, 1973; also "Socialism or State Capitalism?" *Economic and Political Weekly*, Annual Number, February 1973.
3 See paras 8.18 and 8.19 of the Main Report.
4 "Joint Sector and the Boa-Constrictor", *op cit.*
5 "Joint Sector", *op cit.*
6 Para 8.15, Main Report.
7 Especially, see the paragraph under the heading "Participation of State Governments", in "Joint Sector", *op cit.*

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.

Ours is a magnificent land. We must build a magnificent future. Think Ahead.

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MIXED BLESSINGS OF FLOATING RATES



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In Lieu of Growth

EXPENDITURE on police by the Central and state governments has risen spectacularly in recent years. The Public Accounts Committee (1973-74) estimates, in its comments on the report of the Comptroller and Auditor General for 1971-72 relating to the Ministries of Finance and Home Affairs and the Cabinet Secretariat, that the Central government's expenditure on the police increased 52 times in 24 years — from Rs 3 crores in 1950-51 to Rs 156 crores in 1974-75 (Budget estimate). This is, of course, in addition to the even larger expenditure, estimated to have been more than Rs 300 crores in 1973-74, by the state governments on police. According to the PAC, "expenditure on police organisations of different kinds has been increasing at such a rapid rate that it calls for an urgent review by an independent high-powered commission. The expenditure on police both at the Centre and in the states has reached levels where clearly they are eroding the resources available for developmental activities."

The bulk of the increase in the Centre's expenditure on the police is accounted for by the Central Reserve Police, the Border Security Force and the Central Industrial Security Force. The expenditure on the CRP increased from Rs 13.54 crores in 1968-69 to Rs 38.78 crores in 1973-74. Up to 1964-65 there were only 16 battalions of the CRP; during the period 1965-66 to 1972-73, 16 new battalions were raised and 28 battalions of the Indian Reserve Police were merged with the CRP, so that the total number of battalions now stands at 60.

The expenditure on the Border Security Force has increased from Rs 25.44 crores in 1968-69 to Rs 57.41 crores in 1974-75 (Budget estimate). Though the BSF was meant to be deployed on the Indo-Pakistan border, its use within the country has progressively increased. Thus the Home Ministry's annual report for 1973-74 mentions that the BSF was used for maintenance of "internal security" in as many as 13 states during the year besides the Union Territories of Chandigarh and Delhi. The report also discloses that, keeping in view the progressive use of the BSF for maintenance of law and order within the country, "attempts were made to broad-base the training of the BSF personnel".

The strength of the Central Industrial Security Force, formed in 1969-70, was 15,545 in 1972-73, having risen impressively from 10,220 in 1971-72. Further increases in the CISF are on the cards, as is indicated by the statement, in the Home Ministry's written reply to the PAC, that "the demand for induction of the Force from various undertakings has gone up considerably and it has not been possible for the Force to keep up with the demand. Steps are therefore being taken to increase the recruitment and to augment the training capability of the Force".

The expansion of the CRP and the BSF and the sharp rise in the expenditure on them have been justified on the ground that the state police forces are not adequate for maintaining law and order. As the Secretary to the Home Ministry told the PAC, "Not a month passes in which we do not have pressing requests from state governments on account of one trouble or the other". However, the purpose of the large police apparatus of the Centre need not always be to supplement the state police forces; the contingency of having to supplant them on occasions to bring recalcitrant state governments to heel has apparently been taken into account by the Centre in planning the size of its police forces.

The PAC report mentions some cases of the CRP being used against the wishes of the state governments concerned. The two most significant cases both occurred in 1969 and in West Bengal where at that time a united front government, dominated by the CPI(M), was in office. In one case, the West Bengal government's request for withdrawal of CRP battalions was rejected on the ground that the battalions were required to protect property belonging to the Central government at the Farraka barrage. In the other case, the Centre turned down the state government's request for withdrawal of all CRP contingents deployed in West Bengal. This time no particular justification was advanced for the refusal; the contingents stayed put in West Bengal behind the thin pretence that they were being "withdrawn from active duty". On the other hand, the Centre is only too happy to have the states rely on the CRP. Certainly, it is not too particular about recovering the cost of deploying the CRP from the state governments concerned. As a result, arrears of over Rs 31 crores have been allowed to accumulate on this account.

The sharp rise in expenditure on the police appears to have had no impact on the incidence of crime. As the PAC comments, "in spite of heavy expenditure on the police in the Centre as well as in the states, crimes abound; particularly, economic crimes of various types are very much on the increase and the performance of the police has been far from satisfactory as large number of cases of atrocities on Scheduled Castes and Scheduled Tribes continue to occur and minorities continue to have a feeling of insecurity. What is more, there is involvement of police personnel (including senior officers) in serious crimes". The Union Territory of Delhi bears out the truth of this statement. The number of cases registered virtually doubled from 17,605 in 1968 to 34,174 in 1973. The PAC points out that "in spite of the fact that the expenditure on police in Delhi has increased from Rs 5.56 crores in 1968-69 to Rs 7.82 crores in 1971-72, it has come to be known as the crime city in India". In fact the crime position in urban Delhi is far worse than what it is in Calcutta which has a much larger population. Thus in 1972 the official figure of the total number of crimes in urban Delhi was 30,054 against 9,793 in Calcutta.

The Central and state governments are, however, not satisfied with the rise in expenditure on the police. As the Joint Secretary to the Home Ministry pointed out to the PAC, "there has been a demand from the states that there are certain major aspects of police development which hitherto have been neglected in the states due to paucity of funds, and that this paucity of funds was due to the fact that this is a non-Plan subject and therefore in future at least some of the major police development items should be included in the Plan". The joint Secretary then proceeded to describe the negotiations with the Planning Commission on this vital matter : "... during the course of the last one year we have had a couple of meetings with the Planning Commission ... and at the officials' level there has been some breakthrough in this thinking and recommendations of the Officials Committee was that certain items should be included in the Plan; but the Planning Commission has yet to take a final view of that. It is not known whether the Commission has since taken "a final view", but there can be little doubt that in the long run the so-called "breakthrough in thinking" at the officials' level will be endorsed by the Commission and at least a part of the expenditure on police will come to form a part of the Plan.

This will have many advantages. For one thing, there need be no fear then of expenditure on the police eroding resources available for development, since such expenditure would form part of the development plan. For another, it will enlarge the Planning Commission's scope for playing round with variants of the Plan. Thus it could have one variant with a certain rate of growth and a certain redistribution of incomes and consumption and another variant with a much lower rate of growth and distribution of incomes and consumption becoming more unequal but with expenditure on the police three or five times that under the first variant!

World Trade

Mixed Blessings of Floating Rates

THE latest annual report of the General Agreement on Tariffs and Trade (GATT) is apparently not quiet certain whether to regard the several major changes in international trade and payments that took place in 1973 and the early part of 1974 as representing a movement toward a global trade equilibrium or away from it. An exceptionally strong, though unusually short-lived, investment and production boom, a record expansion of world trade, the demise of the fixed exchange rate system and the transition to widespread adoption of managed floating of exchange rates were momentous developments which, taken together, made the last year a major watershed in international economic relations.

World output (excluding services) rose by unprecedented 8 per cent in 1973 compared to the annual average rise of about 5.5 per cent during the preceding 12 years. The dollar value of world exports increased by 37 per cent on top of an increase of a little less than 20 per cent in 1972 and an annual average rise of 10 per cent during 1961-71. Though the devaluation of the dollar and the high rate of inflation bloated the trade figures to some extent, there was a spurt in world exports in quantity terms by about 13 per cent in 1973 as against 9 per cent in 1972.

Trade in agricultural products rose by nearly one-half in value terms, but was not very different in volume terms over 1972. Exports of minerals increased by 46 per cent in terms of value and 11 per cent in terms of volume. The highest growth in trade in volume terms was in manufacturing at 14 per cent while in value terms it was 36 per cent. It is significant that in respect of both minerals and manufactured goods, growth of exports considerably exceeded the increase in their production.

The growth in exports of the industrial countries, at 14.5 per cent in volume terms, was higher than that of their imports by 2 percentage points. Favourable terms of trade enabled the developing countries to expand their imports, even though economic aid to them declined in real terms. East European countries' imports from the industrially developed countries rose rapidly — mainly due to higher levels of commercial credit given to them. Viewed in dollar terms, the distribution of trade among the different groups of countries did not change much. The developing countries maintained their market share at 18 per cent for the third consecutive year — thanks to favourable terms of trade. The share of the East European countries declined marginally because prices in respect of intra-area trade, which accounts for 56 per cent of the total trade of these countries, rose only marginally in 1973. There was, therefore, a small increase in the share of trade of the rest of the industrial countries.

Discussing the effects of floating rates on the level of world trade, the GATT report expresses the opinion that "while it is true that the stimulus came from the world-wide boom in production, world export statistics strongly suggest that the adoption of floating rates did not impede the response of trade to this stimulus." This is significant in the context of the fears which used to be expressed in several responsible quarters that floating rates would discourage growth of world trade because of the uncertainty about the realisation of the proceeds from trade as a result of sharp fluctuations in exchange rates.

The GATT report admits, however, that "stabilising speculation" was absent or was insufficiently present. In theoretical discussions on the subject the view has often been expressed that, under a freely flexible exchange rates regime, the tendency would be towards an equilibrating exchange rates structure in view of the two-way options that would make speculation a risky proposition. But some of the bank failures or losses sustained by banks on their foreign exchange dealings suggest that at least some currency speculators have learnt to make profits at the expense of the banking community. It is also widely accepted now that foot-loose dollars and other currencies were employed sizeably in commodity speculation, boosting commodity prices substantially. The speculation in commodities was spurred by the lack of confidence in currencies whose movements were uncertain under the floating regime. The floating regime also gave a false sense of security to several countries that they need not now worry overmuch about the consequences of heating up of their economies and the resultant inflationary pressures.

Thus floating rates, which led to commodity speculation and acute overall inflationary pressures, did contribute to the impressive rise in world trade in 1973. However, now that the commodity boom is getting deflated and several governments have realised the need to check the current high levels of inflation, will floating rates still contribute to growth of world trade? It is difficult to answer this question unambiguously in the affirmative. On balance it appears that the paeans being sung about the glory of floating rates are too simple-minded. The merits of flexible exchange rates are not to be denied; but it has also to be recognised that to be effective the exchange rate tool has to be deployed intelligently together with other policy instruments like demand management through monetary and fiscal policies.

The outlook for world trade in the current year does not suggest an expansion comparable to last year's. The annual rate of growth of imports by industrial countries in volume terms was 3.5 per cent in January-June 1974 as against 16 per cent in the first half of 1973. Similarly, the rise in exports of industrial countries to the developing countries in the first half of 1974 was running at an annual rate of 10 per cent compared to 20 per cent in the first half of 1973. From the fragmentary data available, the value of exports by developing countries appears to have continued to grow rapidly in the first half of 1974. This was, however, mainly due to the increased value of crude oil exports.

The GATT report suggests that even the rates of growth of international trade recorded in the first half of 1974 are unlikely to be maintained in the second half. The lagged response of trade to deceleration of general economic activity in the first half of the year will set very narrow limits to the likely growth of trade in the second half. A slow down in the flow of exports became evident in early summer and this was presumably accompanied by an even more pronounced decline in the flow of export orders.

Developments in the first half of the year suggest opposite kinds of impact of the oil price rise on the trade balances of the oil importing countries. Despite a rise in oil payments to 8.6 billion in the first six months of 1974, as against $ 13 billion for the whole of 1973, West Germany's trade surplus actually increased. And in the case of the US, the net oil import payment of $ 8.7 billion was almost offset by a trade surplus in other products. On the other hand, most other countries showed widening trade deficits. The largest deficits were those of the UK, Japan and Italy — $ 8.4, $ 6.6 and $ 5.2 billion, respectively. Among the major industrial countries, only Japan was successful in reducing its overall trade deficit. As for the developing countries among the oil-importers, their difficulties threaten to become much worse with their commodity export booms fast evaporating.

Foodgrains and the Economy

Inexorable Downgrade

WHAT those in authority are determined to do, they will do. Even as people die in the countryside, more for lack of adequate purchasing power to buy the food at the prevailing high prices than for anything else, the Government will go ahead to jack up administered prices for foodgrains, which will then become the signal for a further spurt in market prices. In the absence of any worthwhile political resistance, class bias will ensure such a denouement. There may not be much point, therefore, in referring to the latest report of the Agricultural Prices Commission on the price policy for kharif cereals or to the estimates of cost of production of paddy contained therein.

Even so, the report is useful because it underscores the determinants of the denouement. The Commission has, once more, drawn attention to the studies currently on under the Comprehensive Scheme for the Cost of Production of Principal Crops. While the detailed surveys under the Scheme are still going on, the results of the investigations into the cost of cultivation of paddy in the two states of Andhra Pradesh and Orissa have been made available to the Commission. These results are most revealing. The estimates of *total* cost work out to only Rs 51.50 per quintal of paddy for Andhra Pradesh for 1971-72, and to Rs 44.50 per quintal of paddy for Orissa for 1972-73. These estimates are *inclusive* of the imputed value of the inputs owned by the farmer, such as the rental value of owned land and the interest on fixed capital. Therefore, to tag on a claim for separate compensation against owned land and fixed capital amounts to a demand for double-counting. Even were such double-counting to be permitted for the sake of providing additional incentives to farmers, there would still be a margin of return, as wide as Rs 30 to Rs 40 per quintal, or as much as 80 to 90 per cent of total cost, contained in the procurement price the Government has apparently decided to offer for paddy in the ensuing season. Were allowances made for the increase in costs since 1971-72 — which, according to the Commission's rather careful estimates, would not exceed 20 per cent — the rate of return would still be between 50 and 70 per cent in the two states. If the double-counting is eliminated and the rental value of owned land and interest on fixed capital are not considered as categories of cost, the balance of cost — which would however still include the imputed value of family labour — would have been Rs 31.30 per quintal in Andhra Pradesh in 1971-72 and Rs 27.60 per quintal in Orissa in 1972-73. After applying the correction factor for the rise in costs since then, the margin of return at the current level of procurement price, in the two cases cited, would be between 80 and 100 per cent. Once the estimates of costs are made available for other states, similar margins would perhaps be found to exist between the unit cost of cultivation and the level of procurement price.

Even the Agricultural Prices Commission has not suggested procurement beyond 12 to 13 per cent of the output of paddy in any year. If roughly 40 per cent of the paddy production is for disposal in the market, then, for more than a quarter of the output, the farmers would still obtain a return determined by the market prices; in terms of the estimated level of costs, the rate of profit could then turn out to be between 200 and 300 per cent. Since the disposable paddy is concentrated in the hands of surplus farmers, they would continue to enjoy this rate of return for perhaps as much as four-fifths of their output.

According to the Government and the chief ministers, profit of this order is obviously not enough incentive. In the circumstances, it is futile to try to tell the decision-makers that there is an organic inter-relationship between the different sectors of the economy. If, for some segments of economic activity, you allow a rate of return of 80 per cent and beyond, operations elsewhere cannot take place on the basis of profit-taking of only around 10 per cent. With such anomalies in the rates of return, operations in the economy would be upset all over.

The rest of the several measures the authorities are now initiating to revive the economy are, therefore, unlikely to have any marked cumulative impact. It is possible to lift the so-called fetters on the organised industrial sector, give up all priorities of planned econo-

mic development, and forget past notions about how the structure of consumption — and hence of production — could be re-ordered in favour of mass consumption, and yet fail to reintroduce the spark of growth in the economy in view of the imbalances which continue to emanate from the sector of agriculture. The anomalies in the pricing of food crops will keep de-stabilising the pricing and cultivation of cash crops, and the disturbance generated in the farm sector will distort investment and production decisions for the non-farm sectors — including industry and commerce. Beyond a point, salvage operations can be of no avail.

Indo-Nepal Relations

Playing Big Brother Again

Brahmanand Mishra writes:

THE sudden summoning of the Indian ambassador, M K Rasgotra, to Delhi after the anti-Indian demonstrations in Kathmandu over Sikkim is one more sign indicating that a thorough review by India of its relations with Nepal is in the offing. Before leaving for Delhi the Indian ambassador had a meeting with King Birendra. Although official sources, both Indian and Nepalese, were tight-lipped, it is believed that their discussions were about Indo-Nepal ties with special reference to the concern Nepal has expressed over India 'associating' Sikkim. The Nepalese Foreign Minister's statement in the Rashtriya Panchayat on the subject had contained the unequivocal remark that "a small state being swallowed by a big country in the present epoch is a matter of concern to us".

Earlier, the Indian envoy had also met the Nepalese Prime Minister, Nagendra Prasad Rijal, the Foreign Minister, Gyanendra Bahadur Karki, and several senior Nepalese officials. After these talks in Nepal, Rasgotra was in a position to brief the policy-makers in South Block about the 'new mood' prevailing in Kathmandu. This mood has also brought out Nepal's dissatisfaction with the implementation and working of several joint Indo-Nepal development schemes like the Chhatra and the Western Kosi canal projects and the Surjapur hydel project.

Delhi, however, feels that further work on the various mutual benefit projects like the Gandhak, Karnali and Pancheshwar schemes may have to be reviewed if Kathmandu persists in its anti-Indian outbursts. India feels let down by Nepal after having given Rs 125 crores in aid over the past 20 years and having spent another Rs 60 crores on specific projects which exclusively benefit Nepal, besides having trained a large number of engineers, doctors and other specialists.

It seems that Delhi is also thinking of reviewing its attitude to the present government in Kathmandu. It is not merely incidental that the exiled Nepali Congress leader, B P Koirala, who has been generally ignored by the Government of India since he was released from the Sundari Jail in Kathmandu in 1968 and who has been living at Sarnath near Banares, is presently encamped in Delhi. Senior officials of the Ministry of External Affairs appear to have re-established close contact with him and the Nepali Congress.

External Postures

Patriotism and Lies

SWARAN SINGH is a worthy Foreign Minister. He never loses his head in a crisis situation, however serious. He can be depended upon not to divulge the whole truth. This unflappability applies even when hundreds of his countrymen are dying every week, if not every day, from lack of food.

No matter. He nonchalantly stated last week in Los Angeles that American press reports were gross exaggerations and not a single Indian had died of starvation. This was in keeping with other official statements, both within the country and outside, that Indians may die from malnutrition or from some other refined medical consequence of lack of calories, but Indians never die of starvation. These ploys may be useful in quietening the parliamentary opposition or in maintaining the myth that the country is 'self-reliant'; they may also be useful in preventing the pro-Moscow lobby in Delhi from crying about a sell-out to the Americans.

But if the Ministry of External Affairs and the Government of India feel that they can get foodgrains on easier terms from Washington by putting up a false front of confidence, they are living in cloud-cuckoo land. And since the Central and state governments seem to be quite unwilling to procure available foodgrains forcibly from the stocks of the big farmers and traders, the reluctance to beg for food from abroad amounts to a death sentence for thousands of persons in West Bengal, Madhya Pradesh, Orissa and very probably in several other states. But then such deaths are the price of the patriotism that throbs in the heart of every well-fed minister and official in Delhi or Calcutta or Bhopal.



Calcutta Diary

A M

FASTEN your seat belts, the following is an exercise in didacticism. This may be another week, but it would be inexcusable to walk away from the reality of it. People continue to die n the countryside; official relief operations remain perfunctory. One could certainly work up righteous indignation of the proper sort and ask questions about the government and its motives. To all appearances, cynicism of a kind has gripped the government — as if it could not care less whether people live or die. The poor and the destitute are dying peacefully, without protest; they are not embarrassing the authorities excessively; they are not creating any particularly difficult law and order situation. They are, in other words, behaving themselves. Since their deaths do not disturb the even tenor of the administration, why should one bother at all? There is, besides, such a thing as the hard facts of life. What is the point of becoming emotional? Official relief activity is circumscribed by low stocks of grains with the public agencies. The government, for the present, has to go slow with relief work.

Forget about the government. What of others? It is the landless labourers and the rest of the whole lot of the really down-and-out — in the urban and in the rural areas — who are starving and dying. Official misadventures have affected them most of all. These sections have, over the decades, constituted the core of support for the Left parties. The leadership of these parties has remained in the hands of middle class elements, but their franchise has always been derived from the poor. This is the time, one would have expected, when the Left would bestir itself — if for no other reason than at least to guard its class base.

Memories linger. Way back in 1943, when famine struck, the mainstream of the national movement was perforce in a state of stupor; at that juncture, it was the political Left that moved in to resist the rise in prices and provide succour to those who were without food. In terms of organisational strength, the Left parties were then generally weak, but the task of saving the poor from pestilence and death could not wait.

A remarkable relief operation was mounted by the Communist Party, which kept insisting on equitable distribution, around the country, of whatever food was available. The party railed against the profiteers and led a massive thrust against anti-social elements who were trying to take advantage of the abnormal conditions. The party's cadres, without bothering to wait for government initiative, fanned out into the countryside, collected grain through rummaging odd and not-so-odd sources, opened free kitchens, and served whatever meagre meals they were in a position to serve to the starving. They ran medical clinics in town and country, and looked after the dying and the diseased. There was a total dedication to the cause. Cadres and volunteers, belonging to different disciplines and professions, joined in. Ideology meshed harmoniously with ordinary altruism. Within the movement, there was a sharing of fervour, a sharing of grit. One major reason for the rapid spread of the Left movement in these parts in the period immediately following the War was this record of selfless service during the famine of 1943.

Where are the Left cadres now? Admittedly, the scale is not quite the same; even so, people are dying in their hundreds, as in 1943. The entire spectrum of the dead and dying consists of landless rural workers and those similarly placed, people whose traditional allegiance has been to the Left movement and from whom the Left parties have traditionally drawn their sustenance. The famine notwithstanding, everything seems quiet on the rural front. The Left has almost ceased to exist. That 1974 in not 1943 is a fact which could not have been emphasised in a more telling manner. Three decades ago, the Left cadres had spread across into the countryside. In 1974, they are dazed, without bearings. At least the majority of them simply do not know how to go about it. Along with others, they too receive news of starvation deaths every day; with their own eyes, they watch people die; their minds are certainly in turmoil. And yet, there is no movement worth the name in the countryside, hardly any relief operations have yet been organised by the Left. There is no sustained attempt on its part to rouse the masses against the depredations of hoarders and speculators. Consternation has entered the soul. The Left cadres do not rush to the villages; in case they do, the men of the landlords and the speculators, in collusion with the police, will — you will be told — lynch them, while the hungry masses will watch from the sidelines, and continue dying in a gentlemanly manner. The Left cadres do not have any more the capability — at least they do not think they have the capability — to stand up to the combined might of landlords, moneylenders, traders, and the police. They are obsessed by the thought of physical annihilation. Their impotence, of which one has been generally aware during the past two-and-a-half years, is suddenly revealed in the crudest light.

Talk to the leaders of the Left parties. They will wring their hands in apparent helplessness: they can try to revisit the countryside, try to send their cadres in, but such attempts, they are more than convinced, would be suicidal, their cadres would not only be not allowed to organise relief or launch agitations hoarders and speculators but the racketeers and the landlords themselves, fully backed by State power, would strike back with venom and liquidate them.

Maybe, somebody ought to tell these leaders that, by choosing not to go in now, they and their workers are in any case choosing obliteration. For, they are losing their *raison d'etre*. They will have to choose here, today; tomorrow may be too late. As the Americans say, it is to be a different ball game from now on.

There is hardly much point in whining that the ruling party is misbehaving, that it is using the apparatus of the army and the police for partisan purposes, or that there is an alliance between the government and the underworld for suppressing the forces on the Left. In a confrontation of classes, the ruling party will, of course, try all the stratagems — call them fair or do not call them fair — which serve its cause. Since society is riven by classes, concepts of fairness can never be neutral. It is equally inane to complain that some elements, hitherto belonging to the Left, are playing 'Judas'. History will not hold your hand and murmur sweet words of sympathy into your ear just because, for whatever reasons, a few people went back on their pledges. Such phenomena have to be taken in one's stride.

The Left has to set itself up in judgment — and judge itself. It has to analyse the factors underlying its present predicament, go over the ground of its past follies. Is it not a fact that egotism within its ranks has taken the form

of far-out individualism? Pride in one's weaknesses can perhaps constitute a tolerable ingredient for poetry; it is hardly the staple for down-to-earth political radicalism! There must be thousands, inside prison and outside, still sold on the Yenan model. It is perhaps necessary, brutally necessary, to tell them that their comprehension of historical analogues is worth next to nothing. There are yet others who too could be accused of having committed, in their own manner, acts of wholesale irresponsibility toward the working class. If the Left has ceased to be credible, if it finds the masses immobilised by a not-quite-definable *ennui*, is it not because, at a certain point of time in the recent past, it itself turned frivolous? Not to look beyond one's nose is frivolity, not to anticipate the moves and counter-moves of the enemy is frivolity. It is easy to shift the culpability of the present order of things to exogenous factors. That is corner-cutting. And through such device the Left will be cheating only itself.

Forget about the government, which has ceased to function — at least around these parts. But the Left will still have to reassert itself, if it wants to save the poor. As far as food is concerned, despite the deals in Washington and Moscow, the next season could be even worse. Courage begets courage. In case there is now no resistance worth the name, the profiteers might turn bolder still. Consider some of the facts, as they are, even for West Bengal.

This year, the rice crop in this state was supposed to be around 6 million tonnes, of which at least a quarter — 1.5 million — must have come to the market. The cost of cultivation per quintal could have hardly exceeded Rs 50, but the average market price has been around Rs 300 per quintal of the grain; Rs 375 crores or thereabouts of hard cash must, therefore, be the pay-off of the famine in the neighbourhood. This could be excellent wherewithal for the greedy ones to launch a bigger operation in the next season, when the crop is expected to be much less.

Forget the government; if this country's wretched ones are to be saved from liquidation, those who swear by the working class have to move in. In terms of their own logic, they have to seize the grain. Can they? Dare they? Who are they who are doing the calculus over again? Where are they?

The charge that the ruling party has devised the anti-smuggling operation as a 'diversion' from the economic crisis is so ill-defined that it is surprising that it is made in 1974. The economic crisis has assumed such dimensions that no 'diversions' are any more possible. Is it beyond the capacity of the Opposition Left to see the compulsions which push even the political friends of the smugglers to turn against them? The contradiction is deep and profound in today's situation. It opens immense possibilities for those who are genuinely concerned about the disastrous implications of a continuing *status quo*.

Of course, the speculation is now intense about the possibility of a mid-term poll. Indira Gandhi thinks rather flexibly on these matters and it is considered that she may well pitch the general elections for February 1975 — that is, a year ahead of the due date. Such a timing would naturally be based on the conclusion that the deteriorating economic situation will seriously erode Congress strength by 1975, whereas a snap election might well consolidate power for a crucial four years. The calculation is intelligent, but one shudders at the inflationary impact of such an operation!

Aware of the damage to her popularity and credibility, now sought to be proved statistically, Indira Gandhi will have a tough time proving to the electorate that the crises which have engulfed the country are not the direct result of the failures of her governance and government. True, the crises are rooted in old and erroneous decisions over which Indira Gandhi had no control, but who is to explain away the total collapse of national disciplines and the crack-up of honest, thoughtful administration so closely associated with her reign. The talk of mohallas and hamlets tells a tale of times that have never been so bad.

There is drought and famine — who knows the dividing line? — in widely scattered pockets of the country. The late rains may make a difference, but the reports are ominous. A breakdown in power generation seems to be developing despite the fatuous statements of Electricity Boards. It is here that the country's economy, industrial and agricultural, is being strangled, and by the glaring incompetence and cynical indifference of men who describe themselves as administrators and engineers. What's more, there's not a shake-up in sight.

Given this kind of economic and political focus, probably an early election will find favour with a power-obsessed Congress party which hasn't nourished hopes about a possible improvement in the plight of the people. What is delaying the announcement then? The constitution of a new Council of Ministers to refurbish the image of the Congress at the Centre? The still unresolved question about separating the state elections from the Central? Or is it the usual teetering on the edge of decisions? At least, party members have been asked to check the electoral rolls — whatever that may mean.

The next few weeks should give us a clearer view of what is in store for us. October begins with the visit of the Shah of Iran. Then, there is talk of restructuring the Council of Ministers. As soon as the new government has settled down, it will be making ready to confab with Kissinger, now known as 'The Copist' in untrammelled political circles. And in the background is President Bhutto's threat to bomb out the Baluchis unless they surrender their guns, a threat that could spark confrontations with Pakhtoonistan and Afghanistan — even India.

Yes, a perspective full of possibilities and pitfalls — but without intelligent leadership capable of reinforcing the creeping paralysis of the *statuts quo*.

September 30

CAPITAL VIEW

Possibilities and Pitfalls

Romesh Thapar

ANY day I expect Acharya Vinoba Bhave to take over the anti-smuggling campaign, call for a moral revolution among the kings of the parallel economy and an amnesty to mark this revolution. How else can we explain the quiet surrender of the men who until yesterday could buy their way through any situation. Indeed, if newspaper reports are to be believed, they are queuing up at various international airports to return home and enter jail. What is up?

Anything is possible in our 'unique' subcontinent. A theory which is being persistently peddled suggests that the close linkages of our politicians with the smugglers will compel the GOI to settle for fulsome confessions and compromises on assets. After all, the dock labourers, truck drivers, boatmen, retired customs officials, shop-keepers and petty traders, who became the masters of a vast smuggling empire, do not have the sustained ambitions of our leading financial tycoons. They can settle for very little, and retire to a life of meditation and religion. In fact, many of them appear to be so inclined already.

One hopes that the campaign will be pressed, not because smugglers are the only criminals but because it is necessary to expose the linkages between politicians, financiers and law-breakers — and so stir thinking on the political system and its future development. So much of our present trauma is rooted in the activities of this 'trimurti'.

Let us be very clear about the implications of the current campaign against what might be described as the physical front of the smuggling underworld. And let us see which political formation moves to exploit the opportunity for a structural attack on the political and administrative system. Alas, probably the Congress party, in its own blundering way ...

COMPANIES

Higher Prices to the Rescue

Hansavivek

INDIAN IRON AND STEEL COMPANY has shown improved performance during 1973-74 owing mainly to higher selling prices of iron and steel products, increase in output of captive collieries and better working of the Kulti works. Production of saleable steel was about 45 per cent of the rated capacity, but prices of steel products were increased twice: once from September 16, 1973 on all categories of steel at Rs 75 per tonne and then a month later there was a general price revision of steel materials, other than certain categories. The board of management, however, says that there have been substantial increases in costs which have offset the increase in prices to a "very great extent". A committee was set up by the government of India to recommended fair retention prices for steel materials. The committee's report has been accepted and steel plants are required to deposit with SAIL the difference between the sale price and the retention price which would be utilised only for modernisation and development of plants. IISCO has to contribute Rs 124 lakhs to the central development fund, and a sum of about Rs 57 lakhs has been paid on the basis of the provisional rate of contribution fixed by SAIL. There has been some delay in the implementation of the plant rehabilitation scheme on account of delays in procurement of steel, release of import licences and shortage of cement. The management, however, expects that most of the work under the scheme will be completed by March 1976.

During 1973-74, IISCO's production of steel ingots and saleable steel edged up from 4.31 lakh tonnes and 3.47 lakh tonnes to 4.39 lakh tonnes and 3.58 lakh tonnes, respectively, although the installed capacities were 10 lakh tonnes and 8 lakh tonnes and licensed capacities were even higher at 13 lakh tonnes and 10.48 lakh tonnes, respectively. Output of cast iron pipes looked up from 1.09 lakh tonnes to 1.23 lakh tonnes, against the installed and licensed capacities of 1.57 lakh tonnes. Production of steel castings, non-ferrous castings and other castings were 2,068 tonnes, 352 tonnes and 41,157 tonnes against 1,652 tonnes, 262 tonnes and 39,559 tonnes, respectively, produced in 1972-73. The installed capacities were substantially higher at 6,096 tonnes, 914 tonnes and 77,916 tonnes, though the licensed capacities were lower at 5,484 tonnes and 564 tonnes, respectively, in the case of the first two categories of castings and higher at 82,716 tonnes in the case of the third. Over the year, net sales increased by Rs 16.72 crores to Rs 89.98 crores and gross profit was up from a mere Rs 5 lakhs to Rs 189 lakhs, reflecting improvement in gross margins. After providing for depreciation, however, there was a fresh deficit of Rs 3.68 crores against Rs 5.76 crores in the year before. Equity dividend, skipped once again, seems far away.

No provision has been made for retirement gratuities payable at future dates, nor has the estimated liability been ascertained. One of the notes appended to the accounts says that letters to sundry debtors were issued in some cases and only in a few cases confirmations were received by the auditors and differences, where observed, were in the process of reconciliation. Another note points out that there have been cases of theft and forgery in respect of some of the company's own shares, not collected by the shareholders, which are under police investigation. The loss in this respect is, however, duly covered by insurance effected by the erstwhile secretaries, Martin Burn. Yet another note mentions that advances recoverable include over Rs 22 lakhs being carried forward from earlier years made to a senior officer of the company and kept in 'suspense' account in the absence of supporting documents. Out of this, only about a lakh of rupees have been cleared. The company has since instituted legal proceedings against the person concerned and terminated his services. The subsidiary, IISCO Stanton Pipe and Foundry, showed further improvement in its results during 1973.

JAY ENGINEERING had to contend with a six-month long strike at its Calcutta factory and also contraction of demand for sewing machines and fans. Production of sewing machines and fans was 1.34 lakhs and 6.17 lakhs against 2.50 lakhs and 8.21 lakhs produced in the previous year and installed capacities of 3.96 lakhs and 12.42 lakhs, respectively. The number of FHP motors produced was 35,976 and of pumps 3,497 against 37,416 and 7,209 produced in 1972-73 and installed capacities of 1.90 lakhs and 12,000, respectively. Output of castings for sale dropped from the previous year's 502 tonnes to 176 tonnes, while installed capacity was 3,600 tonnes. Both sales and gross profit were lower compared to those of a year ago, although margins were better. While the ratio of wages to sales was lower, that of inventories to sales was substantially higher. The board has recommended payment of only preference dividend. Equity distribution, made at 8 per cent last year, is being skipped. The economics of the sewing machines unit at Calcutta is showing some improvement, but the directors point out that severe power-cuts continue to restrict production. Credit curbs and increase in interest rates have added to costs of production.

BOMBAY SUBURBAN ELECTRIC's energy sales during 1973-74 recorded a growth of 7.03 per cent, although overall power shortage in the western region continued to depress the growth of the company's power system. New consumers connected to the mains aggregated 30,187 which, according to

R P Aiyer, chairman, necessitates large-scale investment to sustain corresponding enlargement of distribution facilities. Requisition of electric supply service from shanty colonies have added a new dimension to the problem of growth. Besides, the Metropolitan Regional Plan, broadly outlined by the authorities recently, will set the pattern of investment and growth in the greater Bombay suburban areas served by the company. Aiyer feels that even if in the immediate years ahead new industries and new housing development are to be banned, the power offtake in the area consequent upon more intensive and diverse use of electric energy is likely to maintain reasonable growth. At the moment, however, all the factors are circumscribed by the uncertainty about the company's tenure beyond May 1976, when the first option of purchase of the company's undertaking by the statutory authority would arise.

Meanwhile, the company has taken up viable and diversified activities. The contracts division now contributes its share of return on equity capital. Among the notable power plant erection jobs, being handled, are the erection of 2 x 100 MW turbo alternator sets at Badarpur thermal project near New Delhi and 4 x 75 MW sets at Ukai hydro project in South Gujarat. A contract has also been signed for the erection of 1 x 60 MW set (hydro) at Vaitarna. Yet another useful contract is the electrification of a five-star hotel in Mauritius. The trading branch of the division, dealing in a variety of electrical equipment, too offers fair prospects of adding to the company's earnings. With the time on the existing two computers being fully utilised, a third generation computer, capable of handling more diverse programmes involving a large volume of data processing, is proposed to be installed. In January last, BSE revised its rates for supply of electricity to all classes of consumers following a 25 per cent increase in the charges payable by it for bulk supply. In spite of satisfactory earnings, total equity dividend has been reduced from 13.5 per cent to 9 per cent in accordance with the government restrictions on payment of dividends. The company has issued 50,000 cumulative redeemable preference shares and 1,00,000 redeemable convertible debentures, both of Rs 100 each at par.

INTERNATIONAL TRACTOR COMPANY OF INDIA which experienced a marked erosion in margins, despite a higher turnover during the year to March 1974, owing to a sharp increase in costs is faring no better in the current year. According to the chairman, Keshub Mahindra; the company produced 3,854 tractors during 5½ months of the current year against only 2,960 during the same period last year, but lost money on each tractor produced and sold. He hopes that government will decontrol the selling prices of tractors and let the industry subject itself to self-discipline under a broad understanding.

MAHINDRA AND MAHINDRA proposes to close down its agro-aviation division and dispose of the assets thereof "in view of lack of real growth prospects in this business". The division has been in operation for the last five years and has been engaged in aerial spraying of insecticides, pesticides, etc. Its assets include three Bell 47G5 helicopters, two Piper-Pawnee fixed wing aircraft, and equipment and spare parts.

The Week's Companies

(Rs in Lakhs)

	Indian Iron		Jay Engineering		Bombay Suburban	
	Latest Year 31-3-74	Last Year 31-3-73	Latest Year 31-3-74	Last Year 31-3-73	Latest Year 31-3-74	Last Year 31-3-73
Paid-up capital	2758	2758	247	247	435	435
Reserves	3013	3404	132	127	939	830
Borrowings	5927	3996	680	662	598	581
of which Term Borrowings	1486	134	9	18	400	425
Gross fixed assets	13932	13732	918	851	2513	2240
Net fixed assets	6184	5988	306	273	2213	1968
Investments	249	249	5	5	119	105
Current liabilities	3177	2536	403	320	1077	752
Current assets	7695	6090	1151	1079	710	514
Stocks	4077	3224	579	463	251	219
Book debts	3311	2693	500	587	425	274
Net sales	8998	7326	1572	1782	1372	1076
Other income	119	94	65	73	91	73
Raw material costs	2832	2127	683	880	947	695
Wages	3027	2534	392	481	76	68
Interest	456	300	1	1	62	54
Gross profit (+)/loss(—)	189	5	91	90	242	205
Depreciation provision	557	581	55	41	68	60
Tax provision	—	—	11	34	49	38
Net profit (+)/loss(—)	—368	—576	25	15	125	107
Development rebate provision	135	94	9	3	18	9
Transfer to reserves	—519	—659	11	— 9	68	43
Dividend						
Amount	P 17	17	P 5 E —	5 16	P 7 E 32	7 48
Rate (per cent)	P 5	5	P 10 E —	10 8	P9.50 E 9	9.50 13.50
Cover (times)	—	—	—	0.44	3.12	1.89
Ratios (per cent)						
Gross profit/sales	2.10	0.07	5.78	5.05	17.64	19.05
Net profit/capital employed	—	—	2.36	1.44	6.34	5.79
Inventories/sales	45.31	44.00	36.58	25.98	18.30	20.35
Wages/sales	33.64	34.58	24.93	26.98	5.54	6.32

NEW DELHI

Necessary but Insufficient First Step

B M

THE decision to endorse the recommendation of the Agricultural Prices Commission against any further increase in the procurement prices of foodgrains, has not come as a total surprise. First, it has come only after a long tussle within the government. And second, it would make sense in food policy terms only if it is unequivocally followed up with certain other steps.

The controversy over prices appears to have been finally clinched by the Prime Minister. She alone could have rebuffed the powerful Chief Ministers of the surplus states and the lobby of rich farmers which had demanded an increase in the procurement price of paddy to Rs 100 per quintal. The Food and Agriculture Ministry itself had favoured a compromise of a price anywhere between Rs 80 and Rs 85. But the final decision has broadly followed the recommendations of the APC. For the first time, after many years, the stand of the APC has thus been upheld and the Union Government has withstood the pressure of those wanting a higher procurement price.

What seems to have turned the scales in favour of the stand taken by the APC is the realisation that concessional imports of foodgrains on any substantial scale would be very difficult — if not impossible. The Soviet Union did not respond to the request for another wheat loan. The US could not be depended upon to come to the rescue either: it was willing to give only a small quantity, of between one-half and one million tonnes on a concessional basis — and that too under PL-480, which the Prime Minister must have perceived as being politically unacceptable and risky and almost as bad for her popular image as the devaluation of the rupee had been before the 1967 general elections. For the first time, therefore, the need to do something about securing domestic supplies and securing them at the right prices was explicitly recognised.

What is not yet clear, however, is whether the government as a whole or even the Prime Minister herself is fully aware that the decision on paddy procurement price, if it is seriously intended, must be accompanied by other important and far-reaching measures. The question of procurement prices is, after all, closely linked with that of adequate procurement — especially on government account. It is clear enough that, in the prevailing market conditions and amidst the psychology that goes with it, the government cannot possibly procure large enough quantities of paddy at the level of prices it has chosen to fix. Elaborate calculations about the costs of production are irrelevant for this realisation. The Agricultural Prices Commission has specifically argued that, going by costs of inputs and such other factors, even the procurement price of Rs 74 per quintal is on the generous side. According to the APC, even last year's procurement price, of Rs 70 per quintal, provided more than adequate cushion for any increases in prices of inputs and costs of production. But costs of production are not the determinants of supply in an inflationary situation.

The experience of this year's rabi crop has been instructive enough: an increase of as much as 25 per cent in the procurement price of wheat has failed to attract sufficient grain into the market because traders and producers could extract much higher prices in the black market. Another lesson, which cannot possibly be ignored, is that it is simply suicidal to rely on private trade to procure foodgrains if the government is to be able to run the public distribution system. That the spokesmen of the foodgrains trade have publicly admitted that nearly three million tonnes of wheat are still lying in the hoards held by traders and the bigger producers, is commentary enough on the wheat-marketing policy which was adopted this year, after the so-called 'failure' of last year's official take-over of the wholesale trade in wheat.

The facile idea — given currency when wheat trade take-over was given up — that the public distribution network could be cut back on, since private trade was in a position to provide enough stocks in the open market, is quite untenable. Having taken the ostensibly courageous decision to resist another increase in procurement prices to placate producer and trader, the other logical steps — harsh and firm — must follow if the professed purpose of the whole exercise is to be achieved. There can be no question now of relying on normal market operations to procure paddy or rice stocks. The old system of procurement of rice, *viz*, a levy on millers and producers, will not work any more. It cannot be ignored in this context that the government has not yet endorsed the target of 5 mn tonnes of paddy and 1.5 mn tonnes of other foodgrains recommended by the APC. Instead, it has confined itself to announcing the procurement prices — although procurement of the order recommended is the least required in this season to run any kind of public distribution system worth the name.

The government is well aware that, as things are, demands on public distribution would very likely grow — at least till next year's rabi crop. Adequate procurement of kharif foodgrains is absolutely necessary to stave off disaster on the food front. The question of monopoly procurement of the entire marketable surplus of foodgrains — not only of wheat but also of paddy — has, therefore, to be faced squarely. The decision not to raise the procurement price of paddy is commendable only if these measures follow it. And yet, even now, there appears to be a great deal of fumbling within the government on this important question.

Another tussle within the government is on and it will be some time before a clear-cut decision emerges. The state governments want a free hand in managing their procurement effort. The Food and Agriculture Ministry is tending to let the state governments procure as they like. But this is likely to be a gamble which the Centre can ill afford. Tamil Nadu, for instance, has already indicated that it has nothing to spare for the Central pool. The states are also playing up the drought and the floods, to escape being saddled with the responsibility of undertaking an effective and adequate procurement drive. A survey by Central government officials has shown that the damage to kharif this year, on account of drought and floods, has been greatly exaggerated by the states. Except in Gujarat, where drought has considerably damaged the crops, the situation is not so bad. The distress on account of floods and drought is indeed acute in conditions of high prices of foodgrains but it is confined to certain pockets. Further, what has to be boldly underlined, is that this situation could have been mitigated had the public distribution system been effective. Again, the gra-

vity of the food situation must be traced to the weakening of the public distribution system, arising from the inability to feed the system from the Central stocks, and the high prices in the open market. The idea that the state governments can be relied upon to undertake an adequate procurement effort, on their own initiative and according to their own lights, is thus dubious.

Clearly, the fixing of the procurement price of Rs 74 per quintal for paddy is futile unless the Centre assumes the responsibility for procurement and goes in firmly for monopoly procurement. There is no way of knowing whether Indira Gandhi has fully grasped this implication of her decision on procurement prices, but certain official circles believe that she is beginning to move in that direction.

Here, the fact that the Prime Minister broadcast an interview on radio on the same day that the decision on procurement prices was announced, may be seen to have some significance. The Prime Minister called for a fresh procurement drive to flush out the hoarded wheat lying with the traders and the producers. She also threatened penal action against hoarders, similar to that against smugglers. The implications of her tough talk on the radio should be expected to unfold shortly. But, till then, whether the decision on procurement prices really presages a major policy shift in the management of the food economy remains a question.

MAHARASHTRA

The Money Plants

THE Maharashtra government appears to be speaking with two voices about the outlook for agricultural production in the state in 1974-75. Chief Minister V P Naik has spoken of a 15 per cent shortfall in the target of foodgrains production of 8 mn tonnes. At the same time, the government is letting it be known that, judging by the prospects of the current kharif season, the 8 mn-tonne target will be exceeded.

According to official assessments, kharif production of foodgrains may be more than 5 mn tonnes, with a bumper jowar crop in the offing. In addition, the recent rains in the state, especially in the Vidarbha region and the other rabi areas of the state, augur well for the next rabi season. If these calculations turn out to be well-founded, foodgrains production in Maharashtra in 1974-75 may, for the first time, touch 10 mn tonnes.

Why the state government, particularly Chief Minister Naik, should publicly underplay the likely output of foodgrains is obvious: For one thing, the state government wants to get the maximum allotment of foodgrains from the Centre that it can; for another, Naik and his colleagues want to ward off pressure for procuring foodgrains from the farmers.

In fact, it is known that, recently, there was a tussle within the government over the procurement target for the kharif crop. Chief Minister Naik had plumped for a figure of 600,000 tonnes whereas Y J Mohite — who recently replaced H G Vartak, a staunch supporter of the Chief Minister, as Food Minister — was in favour of a higher target of 1 mn tonnes. The compromise that has been finally reached is an interesting one and reflects the basic large-farmer bias of the state government.

On the face of it, the procurement target has been fixed at the apparently impressive level of 1.4 mn tonnes. What is more, the target is to be fulfilled through a system of compulsory levy on farmers, the quantity of levy depending on the size of holding. The catch, however, is that in addition to the procurement price, the farmers will be given further incentive in the form of supply of fertilisers and cement at controlled prices. Thus the government will supply one bag of fertiliser for two quintals or less of grain levy, and an additional bag for every additional two quintals of grain. Similarly, for three quintals of levy grain or less, the farmer will be given one bag of cement; for three to 10 quintals two bags; and for more than 10 quintals three bags.

The scheme imposes a compulsory graded levy, for the first time, also on producers of cash crops like sugarcane, cotton, bananas, grapes and oranges. Producers of these crops will be required to meet the levy either from their own production of foodgrains or through purchases in the market. They will also have the option of fulfilling the levy quota by making cash payments to the government equal to the difference between the procurement price and the prevailing market price as determined by the district authorities.

On paper, the incentive scheme will benefit large and small farmers alike. But it is the larger farmers who will be able to exploit it fully — by selling the cement, and in some cases even the fertilisers, at the market prices. With all that, the success of the levy scheme is by no means assured. Whether or not it will succeed will depend on the comparative attractiveness to the large farmers of the procurement price *plus* the margins on fertilisers and cement supplied to them as against the free market price of foodgrains.

How ineffective the ideas of the Agriculture Department on the levy system may actually be is to be judged in another context. The Maharashtra government proposes to introduce a new cropping pattern. Under the new scheme, it will encourage two crops of jowar during the rabi season in place of the rabi wheat crop. The jowar crop will be a 'ratoon' crop. It will be raised from the harvested stalks of the first rabi jowar crop. The government has stated that the amount of water required for the two jowar crops taken together will be the same as that required for the one wheat crop. While announcing the scheme for the new cropping pattern, Naik claimed that the state government had enough stocks of hybrid jowar seeds to meet the needs of the two jowar crops in the next rabi. The farmers are to be given loans for buying hybrid jowar seeds.

And here is the rub. It is common knowledge that hybrid seed manufacture in the state has become a very lucrative business for ministers, zilla parishad chairmen, and their supporters. While the state's Agriculture Department decides the agricultural production policies and programmes, the Rural Development Department, which is under the charge of the Chief Minister, controls in zilla parishads which control the implementation of the agricultural production programmes. It is thus the zilla parishads which decide the production programme of hybrid seeds over which the Agriculture Minister and his department have no control. The zilla parishad chairmen, in league with higher-level political leaders, decide the plots and acreage programme for the H-4 cotton, and hybrid jowar and bajra seeds. Allocation of large quantities of fertilisers, pesticides, irrigation water and credit is linked to the seeds production programme.

The present price of hybrid jowar seed is Rs 600 per quintal and that of hybrid bajra seed Rs 750 per quintal. The margin of profit on H-4 cotton seed ranges between Rs 60 and Rs 75 per kg. The entire production of hybrid seeds is purchased by the state government itself at these prices. For the kharif season, the target for hybrid jowar seeds is 52,000 quintals, for hybrid bajra seeds 27,500 quintals, and for H-4 cotton seeds 10,000 quintals.

How much the production of hybrid seeds is determined by considerations of political patronage is evident from the fact that 6 out of the 8 districts of the Vidarbha region of the state account for three-fourths of the production of hybrid jowar seeds in the state and for the bulk of hybrid bajra seeds. Against this, the Western Maharashtra and Marathwada regions account for the entire output of bajra and for one-half of jowar production. The production of H-4 cotton seed is shared by the influential farmers of the Vidarbha and Marathwada regions.

WEST BENGAL

1943 Being Re-enacted

HUNGER and death are stalking vast parts of West Bengal today. Even according to the Establishment newspapers and semi-official sources, about one-half of the state's population of 50 million are experiencing different degrees of starvation. Many of them are living on grass, weeds and leaves alone. The state's Relief Minister himself put the figure of the starving population at 15 million. Spokesmen of established political parties, including Ministers of the Congress, speak of starvation deaths by the hundreds. Despite the government's attempts to seal off Calcutta from the onslaught of hungry villagers, the city's pavements, parks and porticos are cluttered with destitute families who have managed to sneak through the police vigilance. The dress and deportment of these people distinguish them from normal city beggars; these people quite evidently belong to the farming or artisan communities. The majority of them, moreover, are of the landless labourer class — half-naked, skinny men and women, with naked, pot-bellied children.

Hunger, of course, is a perennial experience for most people in rural West Bengal during these months of the year. But it has not been experienced on the present scale for 31 years — not since the terrible days of the autumn of 1943. There is, however, one difference between 1943 and 1973. The looting of a food-train near Kharagpur about a fortnight ago, the steady increase in the robberies especially of godowns, and other lawless acts in the afflicted areas, all point to a somewhat different temper among at least a section of the deprived population. Not all would submit to starvation death without a desperate reflex action — however hopeless such action may be.

In the face of such colossal distress, the state government has done little besides bustle around. Apart from frequent trips to Delhi by the Chief Minister and his cabinet colleagues with a view to securing an increase in the fast dwindling Central allotments of foodgrains, all that Writer's Building has so far accomplished is a few 'gruel kitchens' in some of the worst affected areas. As against the need to extend relief to about 25 million people, the government has in any case planned to cover only 600,000. And, so far, according to official sources, it has actually covered only 100,000. One major Calcutta daily puts the figure at just 50,000, which too is suspect. For it is calculated on the basis of the expenditure incurred by the government on relief; what part of the expenditure accrues to the target population is anybody's guess.

The Statesman, Calcutta, has reported about Purulia — one of the most distressed areas in the state — that "The opening of the gruel kitchens has posed certain problems for the district administration. Official sources point out that corruption appears to have become an 'integral part' of the relief administration, whether it be gruel kitchens or test relief schemes. Misappropriation of relief money and material is now an acknowledged fact." "The delay", the report goes on to say, "in the opening of the gruel kitchens has again brought to the fore the vast communication gap that still exists between Writer's Building and the outgoing districts. No government order regarding the opening of the kitchens had reached the district administration by September 15, although the government decision to open them had been announced five days earlier. Nor did the district administration have any idea as to who would run them or how the supply of wheat would be available. As a result, one noticed the lack of a sense of urgency at a time when people were facing starvation in the countryside."

While every organised party looks towards someone else for helping out the starving in the countryside, foodgrains stocks — sufficient to feed the entire population of the state — stay hoarded in the state itself. As the political commentator of *Jugantar*, a daily newspaper belonging to the Ghosh family (which has supplied the West Bengal government with two Ministers, including the Food Minister himself) recently wrote:

> "... This year, the output of paddy-cum-rice and wheat in the state was not too small. Enough paddy-cum-rice was grown in the state to provide foodgrain at the rate of 16 oz per capita. The shortfall caused by drought, flood, etc, *is* being met from the Central pool. The Centre is providing about 1.6 million tonnes. Why, then, is there such a huge shortage of foodgrains? Procurement may not have been upto expectations. But where is the state's output of paddy and rice gone? This is a vital question. Some say, about one million tonnes of rice are still being secretly held by the hoarders and big farmers. The government has adopted a programme of dehoarding one lakh tonnes from this hoard. But is it now possible to dehoard this rice?"

One of a total production of nearly 6 million tonnes of rice and a marketable surplus of about one million tonnes, the state government had decide to procure only 500,000 tonnes. In fact, it collected a small fraction of even this: 160,000 tonnes. This was inevitable as the government was depending on the 'goodwill' of the rice-mill owners while the big farmers were depending on the government's unwillingness and incapacity to hurt them. Thus, only about 40,000 tonnes were procured from the rice mills, against a target of 360,000 tonnes. The state government has occasionally talked of using DIR, MISA, Essential Commodities Act, etc, to unearth and seize the hoarded stocks; but little of the sort has actually been done.

In the meeting of the WBPCC, held in Calcutta on September 8, the Chief Minister did indeed roundly condemn the landowning members of his own party for their failure to surrender the levied quantity; he even accused some Congressmen of conducting a campaign among rich farmers and thwarting collection of levies. But it all stopped there. Prafulla Kanti Ghosh — who succeeded Kashikanta Maitra as Food Minister after Maitra's disgrace in connection with the wheat bran scandal — is anyway away in the US for medical treatment; and the Labour Minister, Gopal Das Nag is temporarily holding the Food portfolio and he is too busy persuading the Centre and surplus states for more liberal allotments.

In some ways more undermining is the fact of the irrelevance of the unfocused politics of the state's political parties at a time like this. Factions of the ruling party and the CPI have been agitating for the



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convocation of the state Assembly; the CPI(M)-led 'nine-party front' has chalked out a programme of state-wide mass agitation from October 1 demanding adequate relief operations. None of the political parties has, however, come forward with a substantive and sharp criticism of the policies that have brought this suffering to the people, nor do they seem capable of suggesting alternative programmes for mobilising the state's material and human resources. The organisational wing and the MLAs of the ruling party, the Left parties and the rest of the opposition make demands on the state government; the state government makes demands on the Union government; and the (acting) Governor has appealed for international charity!

In West Bengal the CPI(M) and the other Left parties are by now fully aware of the political and physical hazards of moving against the highly consolidated rural rich, who are well protected by the minions of law and order and the enlisted thugs and smugglers. They, therefore, have opted for the line of least resistance. The CPI made much noise about its dehoarding campaign, but having little base in the countryside, drew a blank. Even the CPI(M) has opted simply for agitation against the only too obvious sins of the government. In the meantime, people are begging, deserting their dear and near ones, selling the honour of their womenfolk, and finally dying from starvation. In these details, 1943 is being re-enacted in 1974 — and, what is also significant, without much political difference.

NORTH

Supplies without Supply Line?

EVEN in the affluent state of Punjab, despite its surplus in foodgrains, there has been much unrest particularly among the poorer urban masses, following the runaway rise in prices and the scarcity of essential commodities. In the circumstances, schemes intended to ensure easy and regular supplies offer partial solace — at least till such time as when it becomes clear that the nub of the scarcity problem is not really at the retail end. The announcement by the Punjab Finance Minister, at a meeting of the state Labour Advisory Board held at Chandigarh on September 19, that all establishments employing 100 or more workers would be required by an ordinance to open fair-price shops on their premises for supply of essential commodities to their workers at fixed prices seems very much to be one of this kind — though Punjab may indeed claim to have taken the lead in this respect. Implementation of this attractive scheme, however, may take some more time as no groundwork has yet been done and no data required to see the scheme through have been collected.

The Labour Advisory Board meeting itself was representative enough. The INTUC, the Bharatiya Mazdoor Sangh, the Chamber of Commerce of Punjab, Haryana and Jammu and Kashmir, the ESI, and departmental officials participated in the meeting, and the Finance Minister presided over it. Everyone welcomed the government's gesture, and the employers promptly responded. They promised to provide accommodation in their factories for provision stores and to lend the services of a manager for the purpose. They offered to provide credit, so that each month's purchases by an employee could be adjusted against his monthly payments. According to one official estimate, over 50,000 workers would benefit from the proposed network of fair-price shops which would be opened in the 208 establishments which employ 100 or more workers. Of the prospective beneficiaries, workers in the engineering industries would constitute 41 per cent, in textile industries — including the hosiery workers of Ludhiana — 25 per cent, in the wood and furniture establishments 16 per cent, and in miscellaneous establishments 18 per cent.

The scheme envisages issue of new ration cards following surrender of existing ones to the Civil Supplies Department. Already, the Civil Supplies officials have made it clear, however, that they cannot promise supply of commodities which are getting scarce — such as vanaspati, kerosene, sugar and soap. If these are not available at other fair-price shops, they would also not be available to the shops opened under the scheme.

Nevertheless, the scheme does have distinct advantages. First, fair-price shops on the factory premises would be far more convenient for the usual purchases: there would not be the serpentine queues, the endless wait, and then the 'stocks exhausted' notices scribbled in chalk. Secondly, the labour leaders present would feel responsible to see that their followers are not harassed or put to avoidable hardship and that depot managers do not withhold stocks or sell them in the black. In a sense, the scheme would have better chances of success where labour is already organised. Thirdly, workers would be able to get credit for their month's requirements. A major reason for the employers' satisfaction about the scheme is the prospect that labour would be more stable and less prone to move out.

But the question that looms large over the scheme is the material — not financial — viability of it. Here, past experience offers little comfort. Last December, the Punjab government had in fact announced a scheme to supply wheat flour and pulses to people earning less than Rs 575 per month. Claimed to be the first such scheme in the country aiming to differentiate in prices in favour of the low-income groups, it was even accompanied by efforts on the part of the Punjab government to extend the coverage of the fair-price shops. The project was expected to provide relief to about 60 per cent of the urban population. But the scheme had little impact. Since the relief offered in prices was nominal, at 5 paise per kg, only those poor earners with large families and substantial monthly consumption of flour and pulses could benefit from it. The other categories of workers and consumers reacted cynically when they realised its petty benefit, and the scheme virtually fizzled out after some weeks. Hardly anyone talks about it now, though it did yield some immediate but short-lived political dividend to the state government.

About nine months ago, the Punjab State Civil Supplies Corporation was established with promise of supply of 14 essential consumer commodities at fixed prices throughout the year, with subsidies, if required, for the lower income brackets. The laudable aim was to ease the condition of the hardest-hit and help stabilise price levels. The Corporation, however, never fulfilled its aims, and it was clear that the net benefit to the average consumer hardly balanced the cost of establishing the Corporation. Many of the commodities it had promised to distribute soon became scarce — sugar, kerosene, and cement. Indeed, supplies shrank as demand came forth.

Thus, neither the dual pricing system nor the Corporation set-up proved useful in arresting the price rise. Evidently, undaunted by the experience, Chief Minister Zail Singh announced at Ludhiana on July 13 that the government was drawing up yet another scheme to supply essential goods to the people at uniform prices. The difference this time may be that the twice-bitten consumers may no longer fail to see such schemes as empty promises tossed at public meetings as political palliatives.

Buying Off the Large Farmers

Arun Chowdhury

THE Rajasthan government imposed levies on bajra and wheat in the last kharif and rabi seasons, respectively. The experience with these levies shows how rich farmers take advantage of small and medium farmers and their organisations to put pressure on the government but, having once got the government to agree to their demands, leave them high and dry.

The bajra levy had provoked a wave of protest from farmers throughout Rajasthan. Movements were launched by the CPI, CPI(M), BKD and other parties as well as by peasant organisations to resist the levy. Here we shall describe the developments in Jhunjhunu district.

Jhunjhunu is a major supplier of soldiers to the Indian army. There is hardly a household which does not have one of its sons in the army. Jhunjhunu's other claim to distinction is that a large number of India's leading capitalist families hail from this district.

Jhunjhunu lies in the Shekhawati region of Rajasthan. Jats and Rajputs dominate the area, both numerically and economically. There are no cities in the area, and even the towns are more like villages than urban centres. The only industrial town is Khetri Nagar, where there is a large copper project. Of the population of the district, 95 per cent live in villages and are engaged in agriculture.

Geographically, the district is part of the Rajasthan desert, but the soil here is fertile. About 50 per cent of the land is capable of producing at least two crops in the year, 30 per cent is slightly less fertile and only 15 per cent is non-arable, being in the stony Aravali hills and desert areas. There is a good reserve of subsoil water, but at depths of 60' to 80' generally. Thus, tubewells are the most effective means of irrigation. But as only a small part of the district has been electrified so far, rains, scarce and unreliable as they are, are the major source of water supply. Drought is frequent and as a rule only one crop is harvested in the year. Bajra is the staple crop, but where there is water and electricity, good crops of wheat, moong, onions and green vegetables are harvested.

Among the rich farmers, the Rajputs do not work on the land themselves, but give it over to share-croppers or daily wage labourers from amongst the poor peasants. On the other hand, the rich Jats are hard-working and their entire families work on the land. The Jats constitute a major portion of the middle and poor farmers as well. Wage rates for daily agricultural workers range from Rs 3 to Rs 5.

The farmers, big and small, were united in their resistance to the bajra levy. The movement was spearheaded by the poor and middle Jat peasantry. Tehsil-level demonstrations of 4,000-5,000 persons paved the way for a mass demonstration at the district headquarters in January 1974 with 25,000 farmers and students participating. The immediate result was the release, under mass pressure, of the peasant leaders arrested during the movement and at least temporary withdrawal of the levy enforcement machinery.

The farmers had organised themselves into Kisan Sangathans. Their demands covered a wide range of issues including cheaper electricity (the rates of which have gone up from 15 p per unit to 25 p per unit) and a reduction in the deposit farmers have to pay for electric connections (which has risen over four times, from Rs 300 to Rs 1,300). The electricity rates question concerns the rich peasants mainly, and is, along with adequate supply of fertilisers at the government-fixed rates, their chief demand. The poor and middle peasants are mainly affected by the lack of irrigation facilities and the high prices of essential commodities in the villages, which have neither rationing nor fair-price shops.

The movement gathered momentum very fast. Though the police were sent into the villages to force the people to part with their crop, the farmers put up determined resistance against all attempts to extract the levy. Practically every village formed a volunteer resistance force. Whenever any peasant leader or activist was arrested, the villagers were able to free him and force the police to withdraw the charges. Students of the area were also drawn into the struggle in large numbers.

The solidarity of the peasantry on the bajra levy issue baffled the authorities. They realised that mere force was not enough. Although they had to withdraw temporarily, they came back with a new manoeuvre when they announced the wheat levy on June 11, 1974.

Wheat is grown by only about 5 per cent of the farmers, whereas bajra is a staple crop in the area and is grown by all the peasants. So the wheat levy affected only a fraction of the farmers directly, and these were mostly the rich peasants having assured supplies of water, etc.

The levy price of wheat was fixed at Rs 105 per quintal and the levy was imposed first only on traders. At that time, the open market price of wheat was relatively low at Rs 125 per quintal as the crop had only just been harvested. The government ordered that no person could stock more than 25 quintals of wheat. The traders and rich peasants ignored the order and proceeded to buy up large stocks of wheat from the middle and poor peasants who, pressed by their need for cash, were forced to sell most of their crop immediately, keeping only small stocks for their own consumption.

Unable to procure the expected quantity from the levy on traders, the government extended the levy to all farmers having more than one acre of land. In Jhunjhunu the Kisan Sangathan denounced the levy as a 'kala kanoon' and organised the peasants to resist it. The government, however, came out with a new strategy. It offered concessions calculated to benefit the rich peasantry and create a split in the ranks of the farmers. Those who paid the levy were offered cement, fertilisers and other scarce commodities at concessional rates.

The rich farmers, who had built up large stocks of wheat, now closed in for the kill. They had made large profits by selling grain in the market at prices that had already risen to Rs 150 per quintal; now they were set out to secure cement, fertilisers, etc, at concessional prices by agreeing to pay up the levy. By bribing the village-level officials they were able to falsify the records and to understate both their holdings and their crops. But since they knew that the government was anxious to collect at least a part of the levy, they got the local officials to overstate the holdings and crops of the smaller farmers.

The large farmers did not dare to do this openly at first, for fear of the wrath of the poor and middle farmers. It was only when the government promised them police protection that they came out into the open and showed their hand. Despite this treachery, the Kisan Sangathans were successful in resisting the levy in about 25 per cent of the wheat areas. Volunteer squads were formed to chase off the police and resist arrest. On July 30, the government withdrew the levy, claiming that it had "successfully achieved its target" — when in fact only one-half of the quantity originally announced as the target had been procured.

The poor and middle peasants are wiser after this experience of treachery by the rich peasants. They are now reorganising the Kisan Sangathans and are continuing their struggle on their basic demands which include:

(1) control on prices of essential commodities;
(2) removal of corruption and malpractices in government bodies;
(3) radical changes in agricultural policies on issues such as electricity charges and connections and fertiliser distribution;
(4) issue of revenue records and passbooks to individual peasants indicating their actual land holdings;
(5) distribution of government land among the landless; and
(6) short- and long-term loans by land development banks and co-operative banks on easier terms.

INTERNATIONAL AFFAIRS

Last Stage of Imperialism

G P D

IN a delightful book on the myths and realities of the Kennedy era David Halberstam recounts an interesting conversation between Vice-President Lyndon Johnson and Stan Karnow of the *Saturday Evening Post*. Johnson, who was on a whirlwind tour of Asia in 1961, described Diem of South Vietnam as the "Winston Churchill of South-East Asia". Stan Karnow asked him if he really believed that about Diem. "Shit, man", Johnson answered, "he is the only boy we got out there".

This about sums up US foreign policy. It is remarkable that the world has — or, shall we say, the Americans have? — changed so very little. Whether it is Vietnam or Chile it is a question of getting the right kind of 'boys' to rule the barbarian east or south. If they cannot get there, instal them. If the wrong people get into various Presidential lodges then remove them. A clever, neat strategy indeed.

Or not so clever perhaps. But for the Western political scientists, who come out every other year with learned treatises on *coups d'etat* and the modernising role that the military plays in the third world, almost everybody else sees the American game quite clearly. The CIA, the chief agency for carrying out these grand operations, seems to have perceived the utter futility of indulging in the American political scientists' make-believe. In deference to them, it still does not talk of "subversion", for the American Academy has reserved that word for people like the Vietcong who, being outsiders, have no right to fight the local Americans and, of course, President Thieu! Anyway, the CIA has not interfered in the strictly domestic matter of the terminology of the Western political scientist. It has simply admitted that it was busy strengthening democracy in Chile, reserving the right to define 'democracy' to itself. Colby did, however, give one assurance — that he did not consider military dictatorships as particularly democratic. All that he had to submit was, presumably, that they can be more democratic than the popularly-elected government of President Allende. As long as Harvard dons agree with him how does it really matter?

The series of disclosures on the CIA's activities in Chile raises one interesting question. Why is the CIA in a confessional mood? It is rather hard to believe that Chile would be the last place where Colby or people like him would venture to make or unmake governments. A very active press and the general atmosphere following Nixon's resignation may have contributed to these confessions. The rivalries between the State Department and the CIA and, very likely, the rivalries within the State Department between the officers and total outsiders like Kissinger might also have contributed to these disclosures. There must be many in Washington who are quite jealous of Kissinger's meteoric rise in American politics.

All this, however, can be only a part of the story. The confidence and nonchalance with which everybody, including President Ford, admitted the CIA's role in Chile cannot be so easily explained away. The first thing to be recognised is the ruthless and amoral character of American foreign policy. It is just not a case of the white man's burden.

During the good old colonial period, the people from across the seas came to Asia, Africa or Latin America with avowed imperialist purpose. They were expansionists, aggressors, imperialists, and so on. All that was unmistakable. Curiously, imperialism then had one redeeming feature. It carried with it modern education, modern means of communication and, above all, a modern consciousness. Ultimately, these were the roots of its destruction. In a very peculiar way that imperialism was still not completely devoid of ideas. It surely was the last stage of capitalism in terms of its growth. But it still was not the last stage of savagery and brutality which the Americans have provided in the post-Second World War period.

In other words, the Americans now seem fairly confident that even a pretence of humanitarian or, for that matter, proselytising zeal is thoroughly unnecessary. Their foreign policy has become completely non-ideological. It is now power in its straight, savage form. No victorian imperialist could have dreamt of such an unabashed assault on the elected government of a people without, in his own way, a sincere desire to 'civilise' the people. There was, of course, much unintended hypocrisy in all that: unintended because I do not think the nineteenth century European really understood the forces which drove him to be an imperialist.

The modern American clearly sees these forces; but he bangs the table and asks: so what? Then he takes the next step; pours millions of dollars, arms if necessary, into a poor country and brings the government down. He has been doing this for donkey's years. Nearly 60 years ago, in 1916, the United States intervened in five countries of Latin America in one year — Cuba, Dominican Republic and Guatemala being some of the countries. Sounds familiar, doesn't it? History seems to have changed little since 1916! In fact, it seems to be repeating itself like a nightmare!

It is a measure of the confidence and audacity of the Americans that they can, coolly and with impunity, go on discussing in the open the various accomplishments of the CIA. And why shouldn't they? They know that, in spite of all this, the most powerful will continue to deal with them and the weak will play their game. Cynicism is the last stage of imperialism!

THE EXTERNAL FACTOR

By Courtesy of Americans

IS the American cure going to prove worse than the American malady? President Ford started out in seemingly fine fashion, oozing candour and love and forgiveness. The American people lapped it all up. Quite plainly, though, there was more to Ford's action than met the eye. Forgiveness is not always compatible with candour, and the new President's preemptive decision to pardon Richard Nixon now threatens to rekindle the embers of Watergate. President Ford, by his act of pardon, has reopened the issues.

Mute Issue

The next few months will therefore continue to be turbulent for the polity of the United States. With Nixon out of the arena, the Republican party had started to look forward to recovering its political fortunes, hoping that the results of the elections in the first week of November would not be as disastrous for it as had been predicted some months ago when Watergate passions were at their height. But Ford's extraordinary act of benediction has brought into the open the hitherto relatively mute issue of the juridical concept of equality of all citizens before the law. Partly as if to assuage such reactions President Ford has gone further to announce a procedure for the grant of Presidential pardons to the Vietnam draft-evaders who are currently living abroad. These latter are, however, hemmed in by a number of caveats and conditions, in stark contrast to the pardon of Nixon which was unconditional and straightforward. Besides, there could be other complications. For, criminals currently under sentence — or to be sentenced in future — cannot now be deterred from filing suits in their hundreds and thousands claiming the prerogative of Presidential pardon in their case too. The judiciary might not sustain their claims; it could be said that there is no inherent natural right for each and all to receive Presidential bounty. But whichever way the judicial decisions go, the American air will remain heavy with controversy.

The consequences of Gerald Ford could be severer in the arena of external relations, and this, irrespective of whether or not Henry Kissinger is retained as Secretary of State. It could be only conceivable that Ford's comparative experience and naivity are showing out. What the new President has openly stated about the role of the Central Intelligence Agency cannot be crossed out as 'non-operative'. True, all major powers indulge in espionage and cloak and dagger operations. The role of the CIA, the NKVD, or the British MI5, may from time to time be either grotesquely exaggerated or grotesquely romanticised; but, till now, at least at the formal level, curt disclaimer for all activities of espionage agencies constituted the core of government behaviour. The Bay of Pigs was never formally acknowledged by the US administration, and, earlier, even John Foster Dulles could not be made to admit his role in getting rid of the Left-leaning Abanez regime in Guatemala in 1954. Controversy has raged from time to time over the CIA's clandestine activities in different parts of the world. But the United States administration was always careful not to own up any responsibility for what the CIA's agents might have been perpetrating here, there or, everywhere: organising the murder of a South Vietnam president, planting a bomb in a Chinese embassy, toppling a supposedly pro-communist regime in Africa or the Mediterranean, fomenting tension between China and India along the borders of Tibet, planning an insurrection against President Allende's socialist regime in Chile, and so on.

Now, suddenly, the director of the CIA has admitted his Agency's direct involvement in the manoeuvres in Chile leading to the suppression of the democratically elected Left-wing Government last year, and the take-over by the army junta. He, in turn, has been justified by his President. It was given to the American President to pretend to ignore the adduced evidence, or to apologise for the excesses committed by the CIA. He has done neither. Instead, he has decided to brazen it out. The CIA's operations in Chile, he has told the world, were fully backed by the American administration, and were vetted by the so-called 'Forty Committee', presided over by the President's National Security Adviser, Henry Kissinger. While volunteering this information, the President also enunciated the breathtaking doctrine that the CIA's role is part of the legitimate exercise of the United States' right to 'destabilise' the established government in Chile, which it did not like. Since the ideology of this government did not meet the approval of Washington, the CIA felt free to move in: what it did in Chile, acording to President Ford, was consistent with historical practice of all major nations concerned with protecting their self-interest.

'Inalienable Right'

There is no need to put on blinkers. Nearly everybody knew this is how big nations conduct themselves. But, till now, they were at least somewhat shamefaced about such conduct, and did not dare proclaim their 'inalienable right' to topple — 'to destabilise' — regimes in foreign countries which refuse to toe the line of this or that bully. Now the bully has given formal notice to the rest of the world: if it does not like somebody's face, it is going to smash it into smithereens, and that to do so is its inalienable right.

After such candour, what will the poor government in New Delhi do? The Indian Prime Minister, and the President of the Indian National Congress, had taken turns to warn the nation — almost incessantly in the past two years — against the machinations of the CIA. These machinations, the American President has now notified, are legitimate and will continue; whichever government misbehaves with the United States, or gives cause of suspicion of such misbehaviour, stands the risk of being liquidated by the CIA. So, you better behave. Considering the circumstances, perhaps New Delhi is fast learning to behave. Foreign investment is being re-welcomed, illegal expansion of capacity on the part of private industrial units has been retrospectively condoned, food aid is going to be begged of the American administration, the country's ambassador in Washington is going into contortions, attempting to explain away the magnitude of India's suspicions about the role of the CIA. The Agency may thus condescend not to topple the regime here — at least not as long as the latter continues to reform itself along the right lines. At least, we now have Henry Kissinger's assurance in this regard. With so much trouble brewing all over, what more can we ask?

Foreign Trade and Centrally Planned Economies

Sumitra Chishti

Foreign Trade of Mainland China, Fen-Hwa Mah; Edinburg University Press, Edinburg, 1972; pp i-xvii +270.
How to Approach the China Market, JETRO; John Wiley, New York, 1972; pp 227.

THE study of the foreign trade systems of centrally planned economies has been a neglected area. This has resulted in gaps of information and analysis with regard to the role, character, mechanism and principles guiding the foreign trade of centrally planned economies.

The emergence in the world order of a distinctly different form of socio-economic and political system in the early part of the twentieth century was initially not treated as a normal development resulting from any historical factor. On the contrary, it was considered an aberration of the prevailing rational world economic system. The entire operation of this new-born system was considered unamenable to any systematic appreciation and hence it was thought unnecessary to study it.

Many international economic institutions which promote studies on various aspects of economic problems did not take interest in this particular field. Most of them also subscribed to the above-mentioned approach. For instance, GATT, IMF and IBRD which contributed substantially to the understanding of foreign trade, aid and balance of payments of member countries did little to throw light on the foreign trade system of centrally planned economies because they believed strongly in the effective operation of free multilateral trade of private enterprise economies.

Individual and group research in the field, barring a few exceptions, had certain handicaps. Most of the researchers had to labour to get material for proper analysis. Further, due to the prevailing atmosphere of hostility to the system, many authors from outside were not in a position to analyse the system dispassionately. Sometimes political factors dominated the authors' interpretation. On some other occasions analytical tools evolved in the context of market economies were unable to interpret the operation of foreign trade of centrally-planned economies.

Nevertheless, the Economic Commission for Europe and the Secretariat of the UN Secretary General had made some important studies as early as in the late fifties and early sixties. The most important landmark from the point of view of studies in foreign trade, however, is 1964. The UNCTAD, for the first time, enunciated a principle of trade between the countries having different socio-economic systems (Principle 6). Further, it established a committee on trade relations between countries belonging to different socio-economic and political systems.

The centrally-planned economies were partly responsible for the limited studies of their foreign trade. Suspicious of the world outside, on the basis of the experience of the Soviet Union in the early days of its new system, these countries opted to look inwards. This effort at exclusiveness was prompted by three major factors. First, the Soviet Union being a vast country having diverse resources could envisage economic development with little dependence on foreign trade and aid. Second, Marxian theory also did not provide adequate theoretical base for planning for foreign trade. In fact, there were certain reservations about the very role of foreign trade. Third, the trade embargo and discriminatory treatment adopted by the US and the West European countries did not facilitate rapid expansion of trade with these blocs and thus did not provide a basis for generating adequate faith in foreign trade in centrally planned economies.

These factors changed in due course. The factors that brought about this fundamental change are (i) the political atmosphere in the form of a polarised world constituting an inhibiting factor slowly disappeared; (ii) the extension of the centrally planned economic system to smaller countries of Eastern Europe, which depended substantially on foreign trade in the pre-Communist period, also brought in some problems; they could not obviously follow a policy of little dependence on foreign trade without restricting the process of their growth; (iii) the compulsion of the second factor enabled these countries to remove the theoretical inhibitions and they developed a theory to support their effort, thus the theory of international division of socialist labour governing the trade flows among CMEA countries was enunciated in 1965; and (iv) the higher economic development of these countries increased the need for economical utilisation of resources which was further buttressed by the need for import of technology from the west.

The barriers of other international economic institutions in examining the foreign trade of centrally planned economies also broke down. In the late sixties many of the countries belonging to the centrally-planned economic system became full fledged special members of GATT.

While the gaps in information on foreign trade of the Centrally-planned economic system of Eastern Europe, including the Soviet Union, are getting slowly filled, the study of China's foreign trade has not yet been made in detail. China was not a member of the UN. As a result, there was no significant contribution by the UN to understanding foreign trade of China. A substantial amount of literature came out regarding the economic development of China from universities and other organisations. Analysis of foreign trade was, however, sketchy. However, this gap is slowly getting filled. One now witnesses considerable interest in China's foreign trade. This can be attributed to three reasons: First, China is getting slowly recognised and it has become a member of the UN. Second, China is considered to be a market worth billions of dollars for the exports of advanced market economies including Japan. And,

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third, there appears to be shifts in China's economic policy objectives with regard to their importance to foreign trade, aid and technology.

The study of China's foreign trade by Fen-Hwa Mah is an aggregative study. The period of study is 1950-67. According to the author, the gaps in China's foreign trade have existed primarily because much of the crucial information is either not available or difficult to get. So he aims at reconstruction of this information within the analytical framework of market economies.

Predictably, the author begins his analysis by devoting a section to trying to identify the different features that exist in the foreign trade system of China. He attempts to find the basic premise that governs China's foreign trade policy. Quoting Yeh Chi-Chang, Minister of Foreign Trade in the fifties, he concludes that in China "export is for import and import is for the country's socialist industrialisation". However, he does not provide in detail the role of China's foreign trade policy or organisation in its development. Most of the developing countries are finding it difficult to manage foreign trade, aid and import of technology consistent with their growth objectives. In fact, in many cases, they are facing deep contradictions between their preferred growth objectives and the actual results specially arising out of being an open economy. These countries have the problem of inappropriate products, investment, technology and consumption. China is also a developing country with a different socio-economic political system. It would be of great significance to analyse to what extent China is able to overcome the stranglehold of this dependence on foreign aid and trade and how she has been able to harness this to help her growth objective. Unfortunately, the author has not touched this basic aspect. Mere analysis by using the techniques applicable to market economies may not carry us forward in understanding a system such as that of China's.

The thrust of analysis is on exchange rate, terms of trade, aid and balance of payments. The chapter describing the foreign trade of China provides only a glimpse of the structure and composition of China's foreign trade. Although the study covers the period 1948-67, one does not get adequate information on the details of trade. One notes that the author is slightly more pre-occupied with examining the Sino-Soviet trade and aid relations than with a total examination of China's foreign trade. For, apart from focusing his attention on analysing the Sino-Soviet economic relations he also frequently refers to the 'lean to one side policy' for China's initial dependence on the USSR.

The focus of attention is on the analysis of terms of trade of China with the Soviet Union. The main conclusion is that China suffered a deterioration in terms of trade with the Soviet Union. She got higher prices for her exports but paid much higher prices for imports. The author, however, lists out the commodities on which such factors did not operate. As a corollary, China had favourable trade terms with the West. This is a broad and sweeping conclusion. Evidence is not sufficient to warrant this conclusion in the bald form as presented in this book.

For constructing the overall unit value indices of China's imports from and exports to the Soviet Union, the sample of commodities covers a small group. Forty-three import commodities of the sample accounted for 26.2 per cent of total value of imports from the Soviet Union and 51 export units formed 77.2 per cent of China's exports to the Soviet Union. The import sample is highly unrepresentative. Therefore, what the author calls China's differential to explain the gaps in terms of trade cannot be fully accepted.

Trade with the West during the period 1952-60 was not in fact important for China because China had to face trade embargoes in a large number of countries, including her former major trading partners, the US and Japan. In fact, during this period, as figures presented by the author himself indicate, trade with the Soviet Union and Eastern Europe took in the range of 40-70 per cent of exports and imports. It is to be pointed out that in this atmosphere of hostility China had little option to buy from the West all that she wanted. So the whole comparison is not very meaningful. Further, the worsening of terms of trade is associated with economic welfare since 1960. This is a big jump in analysis. For, the welfare concept as developed in market economies cannot be easily applied to a centrally planned economic system. This is exactly what the author has intended to do. The arguments to substantiate this relationship are extremely weak — such as decline in Sino-Soviet Trade. It is needless to say that this was the result of political differences. The Chinese economy seemed to be in difficulty during the period 1960-63. But that is no sufficient proof for the economic impact of deterioration of terms of trade.

The most useful part of the analysis is the presentation of balance of international payments of China over the period. In this section one gets a systematic presentation of total aid, components of payments to the Soviet Union as well as the West. An interesting feature of this information is how China paid its external debt through planned generation of exportable surplus. The main features of the aid agreement with the Soviet Union also throw some light. It is significant that China repaid her debts in raw materials, tea, gold and US dollars. The loans of the Soviet Union carried 1 per cent interest per annum. There was rescheduling of debt by the Soviet Union in the period 1962-65. But China paid back its debt ahead of the debt moratorium offered by the Soviet Union.

The book also throws some light on the aid to China from the West. The character of aid was that China received commercial credits (18 months in the case of grain and fertiliser imports; medium term up to five years in the case of machinery and equipment). This section also gives information on China's aid to other developing countries. It is significant that 90 per cent of the total $ 1680.1 million for the period 1954-57 went to developing communist countries.

The book published by JETRO, originally written in Japanese, does not aim at either critical or deep analysis. It is essentially a descriptive work lucidly written, whose objective is to provide information to the exporter. From the point of view of pure information, the job is well done by the writers. The various aspects that are distinct for the centrally planned economies' foreign trade system which needed explanation i e, foreign trade policy principals, organisation and instruments are well covered. The basic principles of trade of China are very carefully listed: Enforcement of planned trade, employment of a protectionist trade policy, endorsement of principles of equality and reciprocity in trade with other countries and endorsement of a policy of inseparability of politics and economics. Despite the fact that it is meant for exporters, the insight that it provides into trade policy is very clear. The discussion of the payment mechanism also has a similar advantage. It also has a more exhaustive analysis of trade by areas and composition. The formulation of import and export programmes is dealt within a diagrammatic presentation and enhances understanding of the decision-making process with regard to foreign trade in this system.

Western Academic Sophistry and the Third World

Duncan B Forrester

The charge that western students of third world development are only too often blind guides who are incapable of seeing things as they really are and whose policy recommendations frequently betray an alarming degree of ethnocentric prejudice would be a purely academic point if did they not so often allow themselves to be used consciously or unconsciously for the promotion of policies which are purely in the interests of the western world.

The contrast between the enthusiasm with which social scientists attempt to shape and influence policy in the developing countries and the lack of any basic criticism of the values underlying the western policies which the social scientists do so much to promote and service is striking. Such an orientation is unabashed sophistry. From neglect of the basic questions of value and from attempting to understand without profound sympathy and prolonged contact, there arises amazing superficiality dressed up in jargon, linked in an unholy alliance with lack of political scruple.

Only with a renewed socratic emphasis on the underlying questions of value and a new sensitivity to the political and cultural constraints and limitations on their work, together with a rediscovery of the significance of sympathy as a condition for knowledge of the other, can western social scientists really contribute to the making of a more human world.

MANY and complex difficulties stand in the way of balanced and objective understanding of societies and cultures radically alien from one's own. The fact that strenuous and persistent efforts are made to achieve such understanding suggests that factors are involved beyond the inherent fascination of what is strange and different. There is, in the first place, the urge to seek the universalisation of one's generalisations, to test in radically different contexts hypotheses about man and society developed out of observation of one particular situation. Karl Marx, for instance, devoted considerable energy to the study of India and China and to the integration of the phenomena of the "asiatic mode of production" and "asiatic despotism" into his theory; Max Weber tested the validity of his hypotheses about the relation between the Calvinist *weltanschauung* and the development of capitalism in magisterial studies of ancient Israel, China and India. This strictly academic motivation for interest in non-western societies appears to have an inherent respectability. Nonetheless, one may argue that in some cases since the hypothesis to be tested and the theories which focus one's interest are developed in the west they may not really 'fit', directing attention away from significant areas and to some extent anticipating in the questions they ask the answers they will receive. There is also the sometimes justifiable criticism that the desire for universality, the demand that every empirical study must be structured in accordance with some theory and must produce not only description but 'theoretical conclusions', can lead to a fairly systematic disregard for the particular and the idiosyncratic. These problems will recur later.

The motivation for study of the non-western world is seldom, if ever, purely academic. Peculiar constellations of historical circumstances which bring contrasting cultures and societies into immediate and inescapable contact arouse the need for knowledge of what is alien. Contact in itself challenges the reassuring stereotypes of one's own society, and of the other, and leads to the search for knowledge which will either confirm or overthrow these stereotypes. The problem here is that such demands immediately place the desire for, and acquisition of, knowledge of the alien society within a political context; knowledge becomes instrumental either to the carrying out of foreign policy, the achievement of the aims of one's own society, or to a re-evaluation of one's own context. This simple fact helps us to understand both why it is today so common in the Third World to see western social science as part and parcel of the aggressive and exploitative impact of the West, and also why what one may loosely call the 'hippie' interest in eastern culture and religion is inescapably linked to a critique of the West and often arouses a rather strange intensity of wrath within the social science establishment. Both the motivation of the search for knowledge about other societies, and the use of that knowledge, are inextricably interwoven with the self-understanding of both societies and the conduct of the relationship between them. And that remark suggests not so much an unease about the methods and results of social science, but rather the necessity for great sensitivity to the political and moral implications of the enterprise of social science. Social science does not operate in a moral and political vacuum. It is not only a distortion of reality but quite irresponsible to suggest that it does, particularly since western academic interest in the third world followed the flag and normally served the flag. This was most clearly so in the eighteenth and early nineteenth centuries when problems of administration and social control could only be dealt with in the light of real or supposed knowledge of the social and economic condition of the colonial territory and of previous answers to these problems.

Vast quantities of data were amassed in reports and blue books, translations of old law books in Indian languages, censuses, and ethnographical studies. Government needed information, and with amazing energy government servants obtained the information that was required. The investigation of Indian culture, religion, law and society was carried on by a group of able men, many of whom showed a sympathetic insight which led them to go far beyond the immediate needs of government. The extent of their intellectual achievement can hardly be overestimated, and

should certainly not be discounted because the initial stimulus was the needs of government. On some issues, for example, the debate on the medium and content of education, considerable numbers of scholarly administrators and missionaries found themselves ranged against the policy favoured by government, and on issues of social reform generally numbers of scholarly occidentals aligned themselves with Indian reformers to press policies on a reluctant government. It is on the work of these men that modern Indian studies are based.

These early students of India were notable for the fact that they stayed there for long periods of years, learnt the languages, and often identified themselves very strongly with India. They did not simply 'bag' another culture, understood from the outside, at second hand, and, therefore, superficially, in order to illustrate some grand overarching theory. Even if one can sometimes justifiably suggest that the conceptual apparatus which they brought from the west was inadequate, or led to some rather ethnocentric emphases, one has by no means denied the general soundness of the foundations which they laid for later scholars.

Formalism

As the scope of colonial government altered from concern for law and order and political and social stability (so that commerce could peacefully drain resources to the 'mother country' and government be conducted as economically as possible) to publicly avowed commitment to welfare, government-sponsored change, and ultimately to conscious preparation for independence, the focus of academic interest became strangely narrowed. The ideology of colonialism served to disguise the real effects of the western impact upon India, and while the propaganda machine emphasised disinterested concern for the good of India as the principal motive of government, most academic interest polarised around either traditional Indology (the political relevance of which as a factor in the recovery of Indian self-confidence and the growth of nationalism was not always apparent to politicians), or, at the other pole, a concentration on the so-called political education of India and the officially sponsored transfer of institutions. Formalism and concentration on legal and governmental institutions were, of course, typical of British social science at the time. In the Indian context this approach was the easiest, for the surface similarities between Indian institutions and the British ones on which they had been modelled seemed very close, and any discrepancies in the operation of the Indian institutions could be put down to the inexperience of the participants, and the problems arising from inducing very rapid institutional growth. In all essential features, the new India was expected to model itself on Europe and forget its own particularity. The anthropologists, who did concern themselves with the particular, were seen as supplementing the census style of information which was felt to be necessary intelligence for government, and recording for future historians the primitive social systems which were doomed to disappear in the process of westernisation.

The focus of most social science research in India prior to independence was determined by the needs of government and much of it implied a rationale of imperialism. Attention was directed mainly at government policies and their success or failure; seldom were questions about the ultimate justification of these policies allowed to arise, nor did social scientists often investigate areas whose vitality and interest was not under the aegis of the colonial government. The social scientist looked through the administrator's eyes and saw only what the administrator saw. Social science did certainly lead to a certain degree of socratic self-examination among educated Indians, but as far as the western world was concerned it did little beyond confirming imperialist complacency.

The American social science which burst upon the third world in the immediate post-war period had followed a rather different pattern of evolution from the British. The Americans were critical of the formalistic and legal emphases in British social science and were convinced that they had discovered an objective and universally valid way of studying society which, conducted in independence of values, was no less applicable to Madras than to Manhattan and of far broader relevance than the older and mainly British approach. The subjects to which American social scientists had devoted themselves hitherto were mainly domestic or European, and the phenomena of change had not attracted much attention. Social science had been concerned with relatively stable and homogeneous western societies, and there was commonly an implicit assumption — which later became very significant — that the values and institutions of these societies were superior, indeed models for other nations to emulate. The conflict between this bland, ethnocentric assumption and the methodological emphasis on the separation of fact and value was, oddly enough, seldom noticed.

A surprising feature of the sudden explosion of interest in the non-western world among American social scientists in the early 1050s was their belief that in studying change they were presented with a *tabula rasa* and were doing something entirely without precedent, so that they could speak, for example, of "a revolution in comparative politics" which attempted to "look beyond description to more theoretically relevant problems; look beyond the single case to the comparison of many cases; look beyond the formal institutions of government to political processes and political functions; and look beyond the countries of Western Europe to the new nations of Asia, Africa, and Latin America".[1] With more than a little naivety they believed that "until quite recently political science was practically denuded of any explicit conception of time, thereby eliminating the possibility of constructing generalisations based upon historical patterns of development".[2] The so-called "American science of politics" had become by the end of the war a very parochial and rootless thing, oblivious to the fact that change had been not only a stimulus to, but a subject for, political thought from its beginning, and that extremely sophisticated analyses of change were to be found in the tradition they despised, and unconscious too of the extent to which commitment to a value-free objectivity acted as a cover for the unexamined assertion of the values of Americanism.

With boyish enthusiasm and freshness, the political scientists launched into the study of change in the third world, rejoicing in this challenging extension to the scope of their discipline, but confident that the fundamentals of the American science of politics would be gloriously vindicated. But very soon an odd thing began to happen: some of the more sensitive among the social scientists began to realise that their studies of the third world by no means free from value assumptions, and indeed were in many cases thoroughly ethnocentric and tied to American foreign policy objectives. The moment of truth had come, when the assumptions of a tradition had been so undercut that once again men stood where Socrates and the sophists had been. The choice was still between a cover-up operation in which the cracks are plastered over and intellect subordinates itself consciously to power rather than truth, or a thoroughly socratic scrutiny of the tradition and one's methods and values, a kind of intellectual purification. Some went one way and others the other.

Harold D Lasswell, for long the high priests of American political science, quietly ditched the ideal of value-free objectivity: "I agree", he wrote, "with those who urge that models of political development should be explicitly preferential; and that the preferential model requires an ideology of progress and a commitment to wide participation in power as a long-run goal".[3] "Political development", he continued, "needs to be understood as including willingness and capability to play a responsible role in world politics".[4] What may be meant by "a responsible role in world politics" is left to the imagination! As the social scientists became increasingly subservient to American policy and involved with inducing rather than simply studying change, they were forced "to supress some of their scruples of cultural relativism" but, as Lucian Pye acutely and accurately noticed, "this has left them without strong philosophical underpinnings to support their involvement in the development problems".[5] Political science in America felt it had largely been emancipated from what Pye calls "its earlier and strongly normative tradition", and I would call the socratic approach. Its rootlessness left it scant defence against a degeneration into unabashed sophistry. Not surprisingly the problems tackled by the social scientists were often the same as the problems of the earlier colonial administrators and their value assumptions too were frequently similar. They "stressed the need for efficient government and a capacity for carrying on public services and maintaining law, order and stability as the hall-marks of political development. The stimulus for this set of writings seems primarily to have been the authors' views of the needs of US foreign policy".[6]

If the assumptions of the new sciences of development were really those of the old colonialism, the focus of research was often narrower and the contact with the situation so short as to encourage charges that superficial conclusions inevitably arose from tip-and-run research. David Wall has attacked the 'new missionaries' of devolopment with great gusto,[7] and in as far as understanding of an alien culture and society depends upon sympathetic involvement over a period of time, armed with the necessary linguistic tools and respect for the integrity of what is being studied, I would go much of the way with him. Some of us know well the frustration and anger which often follows in the wake of the visiting expert whose recommendations do not, and cannot, allow for the real constraints and possibilities of the situation because he has been incapable of relating his problem to its true context.

Manipulative Saturation

The saturation of the third world with western researchers, scholars and experts and the exploitative behaviour of some of them would be felt as no more than tolerable irritations were it not for the closeness of the link with the formulation and promotion of western foreign policy objectives which are often, not unjustifiably, considered as manipulative and aggressive. The extent of the academic involvement with western policies in the social sciences is not always realised, although there must be by now a considerable number of western scholars who have been dismayed to discover themselves while engaged in field work regarded as spies. The pity is that there are those whose contacts have been so superficial and impersonal that they have never realised the real attitudes of many of their informants towards them, and how much this conditions their results.

The American science of politics found itself in a state of crisis with the realisation that it was not, and never really had been, value-free. Value had been denigrated as arbitrary and irrational as against objective fact and empirical theory — the latter clearly distinguished from the 'normative theory' which was thought to have spoiled the usefulness of most of the tradition of political thought. Scholars were, therefore, ill-equipped for the rational discussion of questions of value, and apt to flounder. Gradually, three distinct responses became apparent. Many continue to maintain a rather naive and optimistic belief in progress which probably had its roots in Social Darwinism and was sometimes assumed to be supported by 'the facts'.[8] Everything, or at least the things that really matter, in the third world were getting better and better, and as things improved they approximated more and more to the idyllic society of the west. It is hardly surprising that such an unexamined value system appeared to an African scholar like Ali Mazrui as "ethnocentric cultural pride". Such optimism also acted as a kind of intellectual filter, so that those who looked at the non-western world through progressivist spectacles could not really see changes which ran counter to their hopes, or appreciate the inherent virtues or resources for development in other cultures than their own. Everything that happened in the 'developing countries' — civil wars, unemployment, political corruption — was seen as progressive and positive. An elaborate mirage was conjured up to maintain the illusion that all was for the best in what was becoming the best of possible worlds. When reality finally began to make some inroads, there appeared a spate of articles on 'breakdowns' or 'decay' or 'dysrhythmic processes of change'[9] which look very like attempts to salvage a theory of development which was integrally related to a simplistic and inadequate value orientation.

The second response was to accept, in Weberian style, that values could not be totally isolated from facts, and that both intellectual integrity and the closest possible approach to objectivity depended upon specifying as clearly and precisely as possible the value assumptions of the observer. Edward Shils, for example, articulated the values which had been implicit in so much work by saying that a 'modern society' is "dynamic, concerned with the people, democratic and egalitarian, scientific, economically advanced, sovereign and influential"[10] — in other words, as similar to the United States as possible. The Soviet Union, he wrote, had undergone "a deformed modernisation".[11] He argued for the general validity of these values on the grounds that they were shared by the elites of the new states. But counting influential heads, even brown, black and yellow heads rather than white ones, may do no more than demonstrate the success of cultural imperialism. Gunnar Myrdal, more sensitive than many to the value aspect of social science, starts his monumental "Asian Drama" with 120 pages on the value premises on which the study is based.[12] This surely represents a really valiant effort towards intellectual honesty and a major improvement on studies which leave their values shamefacedly latent. "Throughout the history of social studies", he writes, "the hiding of valuations has served to conceal the inquirer's

wish to avoid facing real issues... Efforts to run away from the valuations are misdirected and foredoomed to be fruitless and damaging. The valuations are with us, even when they are driven underground, and they guide our work. When kept implicit and unconscious, they allow biases to enter. The only way in which we can strive for objectivity in theoretical analysis is to lift up the valuations into the full light, make them conscious and explicit, and permit them to determine the viewpoints, the approaches and the concepts used".[13] Proceeding to specify his values he continues: "We have attempted to look at problems in the countries of South Asia as they appear from the point of view of the interests and ideals, norms and goals that are relevant and significant in these countries themselves. The interests of foreign countries are left out of consideration, so far as the value premises are concerned".[14]

But how, on Myrdal's premises, do we decide what is "relevant and significant in these countries" in any save a quite arbitrary way? That he has really hardly succeeded in escaping from ethnocentrism and the dangers of a manipulative approach which easily lends itself to use against the real interests of the countries involved is suggested by the following: "Quite apart from the Cold War and the opportunistic tendencies to bias emerging from it, we of the west are by tradition disposed to be friendly to people in distress, once we begin to take an interest in their condition. And it is our earnest hope, apart from all selfish interests, that they will succeed in their development efforts. That we wish them to develop into national communities as similar to our own as possible is a natural ethnocentric impulse that would make itself felt in the calmest world situation. Perhaps it should be stressed again that the concern of the West about the possibility of Communist expansion in underdeveloped countries is also understandable, and from the viewpoint of our own interests valid. And these interests justify using our influence to stop it. Still less can one criticise the human sympathy that characterises the Western attitude towards these countries".[15] Is a quite unjustifiable complacency about the motives and effects of the Western impact on the third world really a respectable value premise in social science? Is it not calculated to obscure the realities of the relationship between the West and the third world in a way which subtly justifies western policies? How does such a social science avoid becoming used as an ideology of oppression? And, on the academic level, are we really so incapable of carrying out any kind of socratic critique of the values of our own society that we can do no more than state them, and admit they influence our point of view and our conclusions?

Unqualified Cynicism

A third response to the problem of values is that of unqualified cynicism. This position is well represented by Samuel P Huntington, but it is one into which the naive optimist is peculiarly liable to fall whenever he loses confidence in the self-evidence and objectivity of his belief in a universal progress towards the goal of being as similar as possible to his own society. In articles in the mid-sixties Huntington launched a vigorous and well-deserved attack on the simplicities of much of the earlier writing on modernisation and development.[16] Development he saw not as a universal and irresistible process encompassing virtually everything that happened in the third world and carrying the new states relatively placidly towards the great goal of similarity to, and friendship with, the western democracies. "Almost everything", he argued, "that happens in the 'developing' countries — coups, ethnic struggles, revolutionary wars — becomes part of the process of development, however, contradictory or retrogressive it may appear on the surface". Rapid modernisation, he argued, produces not political development, but political decay. Not all changes were progressive, and development could be, and often was, reversed. A multitude of options were open for change in every situation. He therefore regarded western intervention not as simply the facilitation of a process which is proceeding anyway with apparent irresistability, but as the choice between a considerable number of viable possibilities and goals. As a consequence, he saw western policy as having a far more active role in initiating and controlling change in the 'developing countries' and in shaping the future form and orientation of these countries than did those he criticised. Having dismissed as unrealistic and oversimple the values of the progressivists and declared that the possibilities for western manipulation of third world situations are far greater and more varied than had been commonly assumed by social scientists, one expects Huntington to make explicit his own value orientation. This he did not do, although he obviously had a great liking for strong and authoritarian government and gave high priority to suggesting that US policy should support such government. Huntington is by no means alone in supporting liberalism at home and authoritarianism abroad. Even Gunnar Myrdal speaks despairingly of the polities of the countries of South Asia as "soft states",[17] and argues that "Under present South Asian conditions development cannot be achieved without much more social discipline than the prevailing interpretation of democracy in the region permits. An authoritarian regime may be better equipped to enforce social discipline, though its existence is no guarantee of this accomplishment".[18] Possibly behind such attitudes there lurks a deep frustration arising from the very real difficulty in understanding a radically different society without great patience. Strong government will 'rationalise the society, and thus make it intelligible.

Huntington's writing is dominated by a desire to make recommendations for US foreign policy, which would in itself be unexceptionable if it did not purport at the same time to be objective as a study of the third world. And, in any case, what are his value premises? Perhaps he drops a hint when he says that political modernisation involves the rationalisation of authority: "This change implies that government is the product of man not of nature or of God, and that a well-ordered society must have a determinate human source of final authority, obedience to whose positive law takes precedence over other obligations".[19] Can patriotism, devotion to the interest of one's own country, be regarded as a reputable controlling value in social science research? In situations such as that of America in the aftermath of the Second World War, where consciousness of strength easily develops into a desire to dominate and manipulate as widely as possible, the sophistic stance is to affirm that there are no restraints on power whatsoever.[20]

The new Mandarins whose involvement with American iniquities in Vietnam Chomsky castigates[21] were lacking in moral seriousness and were willing to put their skills at the disposal of power no matter how deplorable the consequences. The cult of 'objectivity' led to a total lack of scruple. The one thing lacking from much contemporary social science is not methodological

rigour but a serious, critical and realistic examination of the values undergirding and influencing the enterprise of social science, or surreptitiously supported by its results.

Three concepts compete with each other as overarching descriptions of what is happening in the third world — westernisation, modernisation and development. There is no general agreement as to the content of these terms and as a consequence, not surprisingly, conflict as to which is the most appropriate. M N Srinivas, the Indian sociologist, opts for *westernisation* as a more accurate and less value-laden term for what is actually going on.[22] The eagerness and virtual unanimity with which American scholars differ, preferring to speak of 'modernisation', makes one suspect that they are trying to conceal something — perhaps even that they are trying to sell westernisation by changing the label on the package! For Shils, "'Modern' means being western without the onus of dependence on the west".[23] Presumably he means without recognising the degree of western manipulation of the process. For the devotees of the term, *modernisation* affects every detail of the structure and life of the communities affected, and their enthusiasm for this gigantic, all encompassing process knows no bounds. A volume published in Madras under the title "*Modernisation: The Dynamics of Growth*" and consisting of talks by 25 American social scientists specially concerned with India which were broadcast by the voice of America[24] makes revealing reading, partly because the authors speak relatively plainly without smokescreens of jargon. We read here of modern attitudes such as "a disposition to accept new ideas and try new methods; a readiness to express opinions; a time sense that makes men more interested in the present and future than in the past; a better sense of punctuality; a greater concern for planning, organisation and efficiency; a tendency to see the world as calculable; a faith in science and technology; and, finally, a belief in distributive justice" (p 4). The capacity of a modern society to apply science and technology to the solution of the problems associated with urbanisation and social disorganisation is demonstrated by the fact that the US government spends $15 billion a year for research and development involving this "dimension of modernisaiton!". We read also of "modernisation of values" and of "modernisation of religion": "Religion ... can be modernised, not simply secularised, and, while it may not be the lubricant for modernisation, it need not be an obstacle either" (p 6). Modernisation, indeed, facilitates religious practice, for "really to practise your religion well, you must be a reasonably well-composed, well-contained individual ... Despite the idyllic image that many people have of the countryside, the great majority of the world's *peasants are in a state* of culture shock produced not by *modernity* but by the hard conditions of rural life. When a man goes to the city, and especially if he secures a job in industry, he comes to have much more respect and becomes much more self-controlled. This makes it more feasible for him to practise his religion" (p 165) Well ...! That last quotation comes from a talk on "The Modernisation of Man" by Alex Inkeles, Professor of Sociology at Harvard and Director of Studies on Social and Cultural Aspects of Development at Harvard's Center for International Affairs.

Difinitions of Development

'Development' is now the most popular of the three terms, and for very good reasons. Not that there is any general agreement about what development is — there are almost as many definitions as there are writers, and articles appear almost entirely devoted to collecting and comparing other people's definitions, e g, Lucian W Pye's "The Concept of Political Development"[25] where he analyses ten definitions of political development. But development does seem on the whole a preferable term to the other two in as far as it is more open to the possibility of a variety of goals, and of paths to their achievement. Even if there is sometimes a tendency towards a kind of vulgar Marxist assumption that economic growth or industrialisation is the determinative factor out of which all other good things flow there is, on the other hand, an increasing tendency to see development as concerned (in Dudley Seers' words) with "The fulfilment of human potential" which involves "much that cannot be specified in purely economic terms"[26] or as "a process of humanisation".[27]

However, theories of change in the third world are peculiarly liable to perversion of various sorts, making them much less illuminating than they ought to be and sometimes converting them into ideological covers for policies of exploitation and aggression. In the first place, there is a tendency to assume that development is simply an externally induced and externally directed process. If development as a generally desired objective demands that the ultimate say as to what happens should be in the hands of what Paulo Freire calls, not inappropriately, "director societies"[28] and if the theories of development are manufactured in these societies, it is easy to see why development theories often justify manipulation. Development theory, therefore, becomes a justification for the belief that "men can do what God cannot, namely, manipulate others for their own salvation".[29] And once an ideology of manipulation becomes acceptable the restraints tend to go by the board: all manipulation by the director society is presented as in the true interest of the manipulated — it is progressive, educative. Even torture and genocidal wars are ultimately accepted as legitimate tools of development.

Development or modernity must not be seen as a universal which comes from outside and displaces entirely what was already there. A developing country is not a *tabula rasa* to be filled in according to the whim of the development expert. It is a society and a culture with its own soil, its own riches of tradition and human resources, its own values and ability to choose its goals, its own particular capacity for change. Not without reason does an Indian economist complain that "The modernisation approach is accompanied by the implicit, or as in the case of Myrdal's recent work quite explicit, belief that the ingredients of modernisation are *all* alien to the native soils of the 'developing countries'".[30] Again and again development is seen as being quite incompatible with the maintenance of *any* elements of a particular tradition-particularities must be ironed out if the developing countries are to approach the western model: "We (*sic*) are not going to be able to modernise primarily in terms of the traditional patterns of the societies concerned" writes Marion J Levy, Jr, "or to preserve these patterns to any considerable extent".[31] What is already there is regarded almost entirely as a complex of obstacles to development.[32] Religion, for example, is seen by Myrdal as "a tremendous force for social inertia" which because it is "permeated by irrational views and illogical thinking is inimical to the spread of the modernisation ideals and to their realisation by planning for development and the effectuating of plans".[33] This rather unguarded generalisation sounds somewhat strange in the context of the com-

mon social science assumption that values too are irrational!

Myrdal detects in the jargon of development a large element of euphemism which serves to disguise what is really happening, a tendency which systematically covers the real effects of neo-colonialism, and the actuality of exploitation. Huntington, for instance, criticises others for seeing everything in the developing countries as developmental "however contradictory or retrogressive".[34] One wonders by what criterion he can speak of something as contradictory or retrogressive unless he means simply that it is regarded as so by the US government in the light of their understanding of US interests. The fact that his own writing on Vietnam contains such appalling examples of euphemistic language — "forced-draft urbanisation and modernisation" being the most glaring example — suggests that his captivity to the very euphemistic jargon that he criticised in others is such that he just cannot see what is happening or (less charitably and more probably) that he is willing to use language systematically to disguise the truth when he regards this as desirable for political reasons. But concentration on an extreme instance such as this should not lead us to forget the alarming extent to which the jargon of development can perform a huge cover-up operation, obscuring rather than illuminating the truth.

The charge that western students of development are only too often blind guides who are incapable of seeing things as they really are and whose policy recommendations frequently betray an alarming degree of ethnocentric prejudice would be a purely academic point if did they not so often allow themselves to be used consciously or unconsciously for the promotion of policies which are purely in the interests of the "director society". The contrast between the enthusiasm with which social scientists attempt to shape and influence policy in the developing countries and the lack of any basic criticism of the values underlying the western policies which the social scientists do so much to promote and service is striking. I call such an orientation unabashed sophistry. From neglect of the basic questions of value and from attempting to understand without profound sympathy and prolonged contact there arises amazing superficiality dressed up in jargon, linked in an unholy alliance with lack of political scruple. Western scholars would do well to realise how often their efforts are seen, not without reason, as academic exploitation and intellectual subversion in the third world. Only with a renewed emphasis on the underlying questions of value and a new sensitivity to the political and cultural constraints and limitations on their work, together with a rediscovery of the significance of sympathy as a condition for knowledge of the other, can social scientists really contribute to the making of a more human world.

Notes

1 Sidney Verba, "Some Dilemmas in Comparative Research", *World Politics*, Volume 20, Number 1, 1967, pp 111ff.

2 Eric A Nordlinger, "Political Development: Time Sequences and Rates of Change", *World Politics*, Volume 20, Number 3, 1968, p 495.

3 Harold D Lasswell, "The Policy Sciences of Development", *World Politics*, Volume 17, Number 2, 1965, p 290.

4 *Ibid*, p 292.

5 Lucian W Pye, "The Concept of Political Development", *The Annals of the American Academy of Political and Social Science*, Volume 358, March 1965, p 3.

6 Robert A Packenham "Approaches to the Study of Political Development" *World Politics*, Volume 17, No 1, October 1964, p 114.

7 David Wall, "The New Missionaries", *South Asian Review*, Volume 5, Number 3, April 1972, pp 181-194. See also Michael Lipton's reply, "Ceylon: The Role of the Inter-agency Mission", in the same journal, pp 195-205.

8 See Ali A Mazrui's perceptive article, "From Social Darwinism to Current Theories of Development", *World Politics*, Volume 21, Number 1, October 1968, pp 69-83. *Cf* Ajit Mozoomdar, "Modernization: Searching for a Synthesis", *South Asian Review*, Volume 6, 1973, pp 317-323.

9 Eg, Samuel P Huntington, "Political Development and Political Decay", *World Politics*, Volume 17, Number 3, April 1965, pp 386-430; S N Eisenstadt, "Breakdowns in Modernization", *Economic Development and Cultural Change*, Volume 12, July 1964, pp 345-67; C S Whitaker, Jr, "A Dysrhythmic Process of Political Change", *World Politics*, Volume 19, January 1967, pp 190-217.

10 Edward Shils, "Political Development in the New States", *Comparative Studies in Society and History*, Volume 2, 1959-60, pp 265-6.

11 Cited in S N Eisenstadt, "Modernisation and Conditions of Sustained Growth", *World Politics*, Volume 16, Number 4, July 1964, p 582.

12 Gunnar Myrdal, "Asian Drama", Harmondsworth, 1968, pp 5-125.

13 *Ibid*, pp 32-3.

14 *Ibid*, p 51.

15 *Ibid*, p 23.

16 Samuel P Huntington, "Political Development and Political Decay", *World Politics*, Volume 17, Number 3, April 1965, pp 386-430, and "Political Modernization: America versus Europe", *World Politics*, Volume 18, Number 3, April 1966, p 378-414.

17 Myrdal, *op cit*, p 277.

18 *Ibid*, p 21.

19 Huntington, "Political Modernization ...", *op cit*.

20 W K C Guthrie, "The Sophists", Cambridge, 1971, pp 17-20, 84 ff.

21 Noam Chomsky, "American Power and the New Mandarins", Pelican, 1969, especially the essay on "Objectivity and Liberal Scholarship".

22 M N Srinivas, "Social Change in Modern India", Bombay, 1966, pp 46 ff.

23 Shils, *op cit*, p 267, *Cf* Daniel Lerner, "The Passing of Traditional Society", New York, 1958, especially Chapter 3, David Reisman's perceptive critical introduction.

24 Edited by Myron Weiner and published by Higginbothams, Madras, 1967.

25 In *The Annals of the American Academy of Political and Social Science*, Volume 358, March 1965, pp 1-28. But *Cf* J P Nettl's perceptive essay, "Strategies in the Study of Political Development" in C Leys, ed, "Politics and Change in Developing Countries", Cambridge, 1969.

26 Dudley Seers, "The Meaning of Development", Institute of Development Studies, University of Sussex, Communication Series Number 44, p 5.

27 C T Kurien, "The Concept and Content of Development", *Religion and Society*, Volume 17, Number 2, June 1970, p 13.

28 Paulo Freire, "Cultural Action for Freedom", Penguin, 1972, p 39.

29 Ivan Illich, "Deschooling Society", Penguin, 1973, p 55.

30 Kurien, *op cit*, p 12.

31 Marion J Levy, Jr, "Pattern (Structures) of Modernization and Political Development", *The Annals of the American Academy of Political and Social Science*, Volume 358, March 1965, p 40.

32 See Joseph R Cusfield, "Tradition and Modernity: Misplaced Polarities in the Study of Social Change", *American Journal of Sociology*, Volume 72, 1966-67, pp 351-62.

33 Myrdal, *op cit*, pp 103-5. Wilfred Cantwell Smith, Director of the Harvard Centre for World Religions, is said to have been approached by a high US Aid official in India who unsuccessfully sought his help in formulating a strategy to break the hold of traditional religion so that development could proceed free from this obstacle!

34 Huntington, "Political Development and Political Decay", *op cit*, p 390.

Erosion of Incomes of Income-Tax Payers through Inflation

N J Jhaveri

This article examines the impact of inflation on the incomes of income-tax payers and discusses alternative ways of reducing the tax burden from the standpoint of their impact on revenues and on high and low-income groups among tax-payers.

THE income of an individual (or a household) represents command over goods and services. Measured in terms of the value of goods and services which can be acquired for current consumption at a given level (i e, base-year) of prices, the purchasing power at the command of an individual over a period of time will be determined by (i) the rate of growth in pre-tax income (g), (ii) the rate of change in the level of prices (p) and (iii) the income-tax liability. If the rate of increase in income and the price level is the same, there will be no impact of inflation on personal incomes — that is, the magnitude of purchasing power, represented by income, will remain unchanged.[1] With the introduction of tax liability however, even if g = p, the assumption of a constant proportion of purchasing power being maintained will not be valid — except when the tax rate is proportional.

The tax liability on personal income is determined by two variables, *viz*, the rate structure and the level of income. Since, under a progressive rate structure, the weighted average of the marginal tax rates on incremental incomes is invariably a positive *fraction* (and the value of which is increasing), the amount of disposable (or post-tax) income would also rise as income increase — though the income-tax liability in absolute terms would have gone up. Of course, the extent of rise in the disposable income will be lower than in the pre-tax income. This would happen because of (a) the shift of the taxable income to higher marginal rate brackets, and (b) the increase in the rates of tax. Assuming that there is no increase in the level of prices, the disposable money income would also furnish a measure of the increase in real income (i e, at constant prices). On the other hand, if there is a rise in the price level, the increase in disposable income in real terms would be lower than that in monetary terms.

The purpose of this article is to examine the impact of inflation on the income-tax payers as determined by these variables. It should be clear that in the case of those who do not pay income-tax, g and p are the only two variables determining the command over goods and services or the purchasing power in real terms, since income-tax liability is zero.

Measure of Inflation: Choice of Income Deflation

The first question which arises in this context is the choice of an appropriate price index as a measure of the inflation. Income-tax payers constitute a heterogeneous group marked by wide disparities in levels and sources of incomes as well as in tastes and preferences. These differences are reflected in the varied sizes and patterns of the consumption-baskets and in the saving habits (saving being viewed as representing future consumption). An important consequence of the differences in the consumption-baskets is that, in a particular base year, the monetary equivalents of given pre-tax incomes will be higher for a person the price level of whose consumption-basket has increased more. Therefore, for perfect adjustment of the factor of inflation, a separate price index would have to be worked out for each consumption-basket. While this may be an ideal solution, in practice, a common price index has to be adopted as a measure of inflation.

But this does not wholly solve the problem. There are three different price indexes available — *viz*, (i) Consumer Price Index Numbers for Industrial Workers, (ii) Consumer Price Index Numbers for Urban Non-Manual Employees, and (iii) Index Number of Wholesale Prices. Of these, the Consumer Price Index Number for Industrial Workers is ruled out because of the predominance of the non-worker class among income-tax payers. The Consumer Price Index Numbers for Non-Manual Employees is the one which can be considered. But the details of weightage assigned to different commodity-groups in this index are not known. The available information indicates that the weightage assigned to the food articles group in the Consumer Price Index is higher than that assigned to it in the Wholesale Price Index. While details of weightage are known in respect of the Wholesale Price Index, for purposes of measuring inflation, the Consumer Price Index for Non-Manual Employees is used in this article, because it is more appropriate in the context of this study. At any rate, since the price index is used here mainly to illustrate the impact of inflation on the different groups of tax-payers, the problem of choice of a price index should not unduly preoccupy us. To the extent that there is a difference in the magnitude of change reflected in the Consumer Price Index which we use here and that reflected in the other indices, there will be a difference in the measure of the inflation *but not in the direction* of its impact. The main conclusions of the study would not be affected, therefore, by the choice of the Consumer Price Index.[2]

It is quite possible that the weightage of different commodity groups in the Consumer Price Index differs from the relative share of such commodities in a particular individual's consumption expenditure. More specifically, while the relative share of food articles in the total consimption expenditure of high-income groups is likely to be lower than the weight assigned to them in the Consumer Price Index, the share of liquor and tobacco, fuel, power, light and industrial manufactures is likely to be higher in the high-income group's consumption expenditure than the weights assigned to them in the price index. Thus, while the use of the Consumer Price Index as an inflator (or a deflator) would overstate the impact of change in foodgrain prices on the tax-payers with high incomes, it is likely to understate the impact of the changes in other prices. On the whole, for the higher income groups, the impact of inflation is likely to be somewhat overstated in the present study. It would be useful to bear in mind this point in the following analysis.

The period chosen for this exercise

is the quinquennium 1969-70 to 1973-74. The magnitudes for 1968-69 are treated as equivalent to 100 (i e, the base-year). The percentage increase (over monthly average for the preceding fiscal year) in the Consumer (all commodities) Price Index during the fiscal year 1969-70 (April-March) was 3.7 per cent, 4.2 per cent during 1970-71, 3.4 per cent during 1971-72, 6.7 per cent during 1972-73, and 15.1 per cent during 1973-74.

Indexing of Income-Brackets

The increase in money incomes during 1968-69 to 1973-74 could have been at a rate, higher than, lower than, or equal to, the rate of increase in the price level. If the increase in pre-tax money incomes is of the same order as the price rise, this does not represent any increase in the purchasing power in real terms. Besides, as mentioned earlier, under a progressive rate structure, disposable money income would constitute a smaller proportion of the pre-tax income than before the price rise; there would thus be a decline in the disposable income in real terms. If the proportion of tax liability to income in 1973-74 (or the proportion of disposable income to pre-tax income) is to be the same as in 1968-69 at all levels of income at unchanged (i e, 1968-69) rates of tax, then the income-tax brackets should have been adjusted to the full extent of the price rise. The 1968-69 income-tax brackets adjusted for price rise are presented in Table 1 for selected levels of income.

It will be noticed that income-tax bracket equivalent to the 1968-69 income range of Rs 5,000-Rs 10,000 is Rs 6,900-Rs 13,700 in 1973-74; and like-wise, equivalent to the income range of Rs 1,00,000-Rs 2,00,000 in 1968-69 it is Rs 1,37,200-Rs 2,74,400.

Thus, assuming that no adjustment is made in the income-tax brackets and that the real value (in terms of current purchasing power) of a pre-tax income of Rs 25,000 in 1968-69 remains intact in 1973-74, money income would have to rise to Rs 34,300. On an income of this magnitude, tax liability at *1968-69 rates* would be Rs 8,690 — or 25.34 per cent of income — as against Rs 4,125 — or 16.50 per cent — if income had remained unchanged at Rs 25,000. If the income-tax brackets were to be adjusted for the full extent of the price rise, tax liability on an income of Rs 34,300 in 1973-74 would be Rs 5,660 or 16.50 per cent — i e, the same as in 1968-69.

Table 1: Index Linked Income-Tax Brackets — Monetary Equivalents of Selected Upper Limits, (100 Per Cent Neutralisation)

(Rupees)

1968-69	1969-70	1970-71	1971-72	1972-73	1973-74
5000	5200	5400	5600	6000	6900
10000	10400	10800	11200	11900	13700
25000	25900	27000	27900	29800	34300
50000	51900	54000	55900	59600	68600
100000	103700	108100	111700	119200	137200
200000	207400	216100	223500	238400	274400

Note: Figures are rounded off to the nearest hundred.

Table 2: Rate of Growth in Pre-Tax Incomes and Marginal Tax Rates

(Assumption : p=10 per cent)

Marginal Rate of Tax t	g=100 per cent of p	50 per cent of p	20 per cent of p
	Additions to Post-Tax Incomes g (1 —t)= (Fraction of Pre-Tax Incomes)		
10	0.0900	0.0450	0.0180
20	0.080	0.0400	0.0160
35	0.0650	0.0325	0.0130
55	0.0450	0.0225	0.0090
75	0.0250	0.0125	0.0050
80	0.0200	0.0100	0.0040
85	0.0150	0.0075	0.0030
90	0.0100	0.0050	0.0020

Neutralisation for Price Rise and Additions to Post Tax Incomes

Between 1968-69 and 1973-74, income-tax brackets have remained more or less unchanged. Therefore, if there has been an increase, as there normally would be, in an individual's income between 1968-69 and 1973-74, his tax liability would also have increased. The relationship between different rates of growth in pre-tax incomes and marginal tax rates is presented in a generalised manner in Table 2.

Thus, for instance, if the pre-tax income of Rs 10,000 was assessed in the marginal rate bracket of 55 per cent, assuming full neutralisation (g=100 per cent of p), the addition to post-tax income would be Rs 450; if neutralisation were to the extent of 20 per cent, the addition would be only Rs 180, and so on.

Looked at from another point of view, these fractions may be considered to indicate the extent to which the loss in post-tax incomes can be recouped by incrementals to incomes. For convenience of reference, we use below the term 'recoupment fractions' to describe these incrementals. The point to be noted is that the recoupment fractions have more or less the same values, both at higher levels of income (i e, higher marginal rates of tax) but with relatively higher degree of neutralisation and partial neutralisation for price rise but lower levels of income. We may now examine, using some illustrative examples, the effect of inflation and tax rate changes.

100 Per Cent Neutralisation

(A) *Impact of Inflation*:

Let it be assumed that pre-tax incomes rise to the same extent as the increase in the price level (i e, 1968-69 money incomes are assumed to remain constant in real terms). Under a progressive rate structure, increase in tax liability due to a shift in income to higher marginal rate brackets would give a measure of the impact of inflation — assuming income increases by the same percentage as the price level. For certain selected levels of incomes, Table 3 illustrates disposable incomes at current prices at 1968-69 rates and current rates (for respective years), for 1968-69, 1969-70, 1971-72, and 1973-74.

It will be observed from Table 3 that disposable money income (at current prices) is higher, in all the cases, at 1968-69 rates. At the same time, effective tax rates (tax liability as a percentage of the money income equivalent of

Table 3: Disposable Incomes (Computed on Fully Index Linked Incomes)

(Rupees)

Pre-tax Income	A. At 1968-69 Rates				B. At Current Rates (for respective years)			
	1968-69	1969-70	1971-72	1973-74	1969-70	1971-72	1973-74	
							1973-74 Rates	1974-75 Rates
10,000	9450 (5.50)	9784 (5.92)	10452 (6.67)	12580 (8.18)	9775 (6.09)	10426 (6.91)	12458 (9.07)	12562 (8.31)
25,000	20878 (16.50)	21379 (17.45)	22499 (19.36)	25810 (25.34)	21105 (18.52)	22034 (21.02)	24996 (27.12)	25632 (25.28)
50,000	32675 (34.65)	33321 (35.79)	34681 (37.96)	38999 (43.15)	33046 (36.33)	32347 (42.13)	36284 (47.11)	29021 (43.12)
100,000	48225 (51.98)	48876 (52.87)	50716 (54.60)	56581 (58.76)	48601 (53.13)	49927 (55.30)	42244 (69.21)	55953 (59.22)
200,000	71025 (64.48)	72727 (64.93)	76430 (65.80)	86795 (68.38)	72542 (65.07)	65300 (70.78)	48942 (82.16)	87509 (68.11)

Notes: 1) Disposable Income = 1968-69 income (1+p) 1, 3, 5 as the case may be
Less tax liability, where p stands for percentage increase in the price level.
2) Figures in brackets denote effective tax rates, i e, Pre-tax incomes (100 per cent neutralisation) less Tax Liability / Pre-tax Incomes

1968-69 incomes) have also increased. For instance, on a money equivalent of the 1968-69 income of Rs 10,000, the effective tax rate increases, at 1968-69 rates of tax, from 5.50 per cent in 1968-69 to 8.18 per cent in 1973-74 — or by 2.68 percentage points; on an income equivalent of Rs 50,000, from 34.65 per cent to 43.15 per cent — or by 8.50 percentage points; and on income equivalent of Rs 2,00,000 from 64.48 per cent to 68.38 per cent — i e, by 3.90 percentage points. These increases in tax liability may be attributed to inflation.

(B) *Impact of Tax Rate Changes*:

The extent of increase in effective tax rates on account of changes in rates of tax, in 1973-74, ranges from 0.83 percentage point in respect of money income equivalent of Rs 10,000 to 13.78 percentage points on an income equivalent of Rs 2,00,000. This would imply that, between 1968-69 and 1973-74, there has been a sizeable increase in marginal rates of tax applicable to high levels of personal incomes. However, with the reduction in the marginal rates of income-tax introduced with effect from the financial year 1974-75, effective tax rates at almost all the levels are only nominally different from what they would have been if the tax liability were to be computed at 1968-69 rates of income-tax.

Disposable (Post-Tax) Real Incomes

So far, the discussion has been confined to tax liability, disposable income, and effective tax rates for certain given pre-tax income levels during 1968-69. The next question is disposable incomes *at 1968-69 prices*. This has been done in Table 4, by adopting the following procedure.

Table 4: Disposable Incomes and Effective Tax Rates in Real Terms

Pre-tax Income in 1968-69	A. At 1968-69 Rates				B. At Current Rates			
	1968-69	1969-70	1971-72	1973-74	1969-70	1971-72	1973-74	
							At 1973-74 Tax Rates	At 1974-75 Tax Rates
10,000	9450 (5.50)	9435 (5.65)	9357 (6.43)	9168 (8.32)	9426 (5.74)	9334 (6.66)	9079 (9.21)	9155 (8.45)
25,000	20875 (16.50)	20616 (17.54)	20142 (19.43)	18663 (25.35)	20352 (18.59)	19726 (21.10)	18216 (27.14)	18679 (25.28)
50,000	32675 (34.65)	32132 (35.74)	31048 (37.90)	28421 (43.16)	31867 (36.27)	28959 (42.08)	26442 (47.12)	28437 (43.13)
100,000	48225 (51.98)	47132 (52.87)	45404 (54.60)	41234 (58.77)	46867 (53.13)	44697 (55 30)	30786 (69 21)	40716 (59.22)
200,000	71025 (64.48)	70732 (64.94)	68424 (65.79)	63252 (68.37)	69954 (65.02)	58460 (70.78)	35667 (82.16)	63773 (68.13)

Notes: (1) Disposable income in real terms = Disposable money income as defined in Table 2.

TABLE 5

Pre-tax Income in 1968-69		Effective Tax Rates (Real Terms) in					Disposable Income in Real Terms in				
		1968-69	Index	1973-74			1968-69	Index	1973-74		
(Rs)	Index	(per cent)		a	b	c	(Rs)		a	b	c
10,000	100	5.50	100→	148 (100)	167 (100)	154 (100)	9450	100→	97 (100)	96 (100)	97 (100)
100,000	(1000)	51.68 (945)	100→	113 (706)	133 (752)	114 (703)	48225 (510)	100→	85 (450) ((516))	69 (339) ((387))	84 (445) ((510))
200,000	(2000)	64.48 (1172)	100→	106 (822)	128 (892)	106 (810)	71025 (752)	100→	89 (690) ((792))	50 (393) ((448))	90 (697) ((799))

Notes: (1) Figures in brackets represent index worked out with row 1 values equal to 100
(2) Figures in double brackets represent index computed assuming 50 per cent neutralisation of income at the level of Rs 10,000 (= 100)
(3) (a) represents computations at 1968-69 rates of taxation.
(b) do 1973-74 do
(c) do 1974-75 do

Tax liability was computed on money income equivalents of constant 1968-69 incomes (as in Table 2). Then the disposable (after-tax) income for a particular year was converted into income at 1968-69 prices, by applying the appropriate price deflator. The disposable incomes, derived in this manner, are indicated in Table 4. For instance, the money income equivalent of a pre-tax income of Rs 25,000 in 1968-69 works out to Rs 34,300 for 1973-74. Tax liability at current (i e, 1973-74) rates of taxation on such an income is Rs 9,364, leaving a post-tax income of Rs 24,996. Converted to 1968-69 prices, this amounts to Rs 18,216. In 1968-69, at 1968-69 rates of taxation, disposable income corresponding to pre-tax income of Rs 25,000 would have been Rs 20,875. Therefore — despite an increase in money income so as to fully neutralise the price rise — disposable income in real terms was lower by Rs 2,659 than in 1968-69, indicating a corresponding increase in tax liability in real terms.

Computations show that the relative position, at different levels of income, varies considerably. The impact of inflation — measured in terms of percentage increase in effective rates of tax — shows that there is a rise at 1968-69 rates of tax of 48.3 per cent (from 5.50 per cent to 8.32 per cent) at the 1968-69 income level of Rs 10,000, and of 6.0 per cent (from 64.48 per cent to 68.37 per cent) at the income level of Rs 2,00,000. Taking into account the changes in tax rates, the percentage rise in effective tax rates works out to 67.4 and 27.5, respectively, at these levels of income. This is evident also in the multiples of effective tax rates expressed in Table 5.

It will be noticed that the index of effective tax rate, (with effective tax rate at an income equivalent of Rs 10,000 in 1968-69=100) at an income equivalent of the 1968-69 income of Rs 2,00,000, declined from 1,172 in 1968-69 to 822 in 1973-74 at 1968-69 rates indicating relative regressivity of the situation; at 1973-74 tax rates the index increased to 892 indicating enhanced effective tax burden on account of tax rate changes. However, computed at 1974-75 rates, the index again fell to 810.

TABLE 6: DISPOSABLE INCOMES IN REAL TERMS (50 PER CENT NEUTRALISATION)

Pre-tax Income in 1968-69	A. At 1968-69 Rates				B. At Current Rates			
	1968-69	1969-70	1971-72	1973-74	1969-70	1971-72	1973-74	
							At 1973-74 Rates	At 1974-75 Rates
10,000	9450 (94.50)	9274 (92.74)	8910 (89.10)	7982 (79.82)	9272 (92.72)	8899 (88.99)	7953 (79.53)	7982 (79.82)
25,000	20875 (83.50)	20400 (81.60)	19310 (77.24)	17329 (69.31)	20135 (80.54)	19007 (76 00)	16648 (66.59)	17024 (68.10)
50,000	32675 (65 35)	31804 (63.61)	30135 (60.27)	25992 (51.98)	31539 (63.08)	28108 (56.22)	24228 (48.46)	26009 (52.02)
100,000	48225 (48 02)	46733 (46.73)	44189 (44.19)	37949 (37.95)	46468 (46.47)	39853 (39.85)	30380 (30.38)	37498 (37.95)
200,000	71025 (35.51)	69312 (34.65)	65953 (32.97)	57643 (28.82)	69046 (34.52)	56982 (28.41)	37964 (18.98)	57183 (28.53)

Notes: Figures in brackets represent post-tax incomes in real terms.

If the principle of progression — i e, higher the income, higher the effective rate of tax — is applied not only to levels of tax rates but also to increments then clearly the conclusion emerges that assuming constant real incomes, the increase in tax burden (as measured by percentage rise in level of effective tax rates) on account of inflation is generally inversely related to the level of income.

DISPOSABLE REAL INCOMES

Let us now examine what happens to disposable real incomes. It will be noticed from Table 5 that, in 1968-69, with disposable income at pre-tax income level of Rs 10,000=100, the index of disposable real income, corresponding to the pre-tax income level of Rs 1,00,000 and Rs 2,00,000, was 510 and 752, respectively. In 1973-74, corresponding to money income equivalents of these two levels, the values of the index are 450 and 690, at 1968-69 rates. The indices decline sharply to 339 and 393 at 1973-74 rates. The apparent contradiction, in the (regressive) movement of effective tax rates and the (progressive) movement in the disposable income relatives, is attributable to the assumption of uniform (100 per cent in this case) neutralisation for price rise. It will be seen from Table 2 that, as a result of this assumption, the value of the recoupment fraction turns out to be quite high at lower levels of marginal rates of tax. If, for instance, 50 per cent neutralisation is assumed at the low income level (Rs 10,000), and full neutralisation at the other two levels, disposable real income multiples (shown within double brackets in Table 5) in 1973-74 *are higher than the 1968-69 multiples in columns a and c.*

Before removing the assumption of full neutralisation, it may be noted that disposable income between 1968-69 and 1973-74 (converted to 1968-69 prices) declined *progressively* — both in terms of time and levels of income. As observed with disposable money incomes, the recent reduction in tax rates has brought disposable real incomes in 1973-74 near about the levels which obtained at 1968-69 rates of tax. It is interesting that, in terms of disposable incomes at 1968-69 prices, income-tax payers upto the income levels of Rs 25,000, are marginally better off as a result of a reduction in marginal tax rates whereas income-tax payers having assessable incomes of Rs 1 lakh and Rs 2 lakhs in 1968-69 benefit in terms of the increase in disposable real income in 1973-74 to the extent of approximately one-third and four-fifths, respectively.

TABLE 7: DECLINE IN EFFECTIVE TAX RATES IN 1973-74

Before Tax Income in 1968-69 (Rupees)	Average Rate of Tax without Deduction for Saving	Reduction in Tax Rates Percentage Points	
		Alternatives	
		I	II
10,000 a)	8.32	0.91	1.13
b)	9.21	1.36	1.62
c)	8.45	1.21	2.46
25,000 a)	25.33	5.29	6.49
b)	27.14	5.87	7.12
c)	25.28	6 08	7.08
50,000 a)	43.16	8.02	9.81
b)	47.12	10 24	12.71
c)	43.13	8.43	10.23
100,000 a)	58 77	6.74	
b)	69.21	12.34 →	
c)	59.22	6.12	

Assumptions:	Income Level in 1968-69	Saving in the Form of PF, etc		
		Alt I (Rs)	Alt II (Per cent)	Dividends/ Interest (Rs)
	10,000	1,000	10	Nil
	25,000	5,000	20	500
	50,000	12,500	25	2,500
	100,000	20,000	(Maximum Eligible)	3,000 (Maximum eligible)

Notes: a at 1968-69 tax rates
b at 1973-74 ,, ,,
c at 1974-75 ,, ,,

PARTIAL NEUTRALISATION FOR PRICE RISE

So far, it has been assumed that there is full neutralisation for price rise. But money incomes need not (and more often do not) increase at the same rate as the rise in prices. Further, as between different income-groups, it is reasonable to assume a relatively higher rate of growth in respect of non-salary incomes than in salary incomes. As a major portion of salary income is assessed in the lower and middle income brackets, one must expect a relatively lower rate of growth in pre-tax incomes (i e, lower degree of neutralisation for price rise) in respect of low and middle income brackets, as compared to high income-brackets. To simplify the problem, it is assumed that there is 50 per cent neutralisation for the price rise for all the types of income groups. (That is, g=½ p.) Disposable incomes in real terms are shown in Table 6.

Where there is partial neutralisation for the price rise, disparities in the incidence of inflation are very wide. For instance, at the 1968-69 rates, disposable income in real terms on a before-tax income of Rs 10,000 (assuming 50 per cent neutralisation) declines from 94.50 per cent of the pre-tax income in 1968-69 to 79.82 per cent in 1973-74 (or by 14.18 percentage points), and on a before-tax income of Rs 25,000 from 83.50 per cent to 69.31 per cent (i e, by 14.19 percentage points). On the other hand, the decline in the disposable real income, for a before-tax income of Rs 1,00,000, is from 48.22 per cent to 37.95 per cent — i e, by 10.27 percentage points. A part of the disparity, in the decline in the real income on account of inflation, is rectified by changes in tax rates which increase the effective tax burden in real terms — generally in a progressive manner.

It was observed earlier, that increase in money incomes is likely to lag behind the price rise more in respect of lower incomes than higher incomes. To the extent this is true, it is ap-

parent from the above illustrations that the erosion in real disposable incomes is likely to be *relatively* much more in the case of lower incomes than in the case of higher incomes. Moreover, to the extent that there is 'evasion' of income, the impact of inflation — as measured by after-tax incomes at constant prices — will be all the more severe for those who disclose (or have to disclose) their true incomes — particularly so at higher levels of income.

Tax Exemption of Personal Savings

There are various deductions — such as conveyance allowance, expenditure on books (now replaced by standard deduction), long-term savings in provident fund, etc — which reduce the taxable income. In this article, we have taken into account only the tax exemption on personal savings for illustrative purposes.

Two types of savings behaviour are assumed. One: a *fixed amount* is assumed to be saved (alternative I) in the form of provident fund, insurance policies, etc; and two: the proportion of income saved in these forms is assumed to be the same as in 1968-69 (alternative II). It is also assumed that, except at the lowest level of income (as in the example of Rs 10,000), some income is received in the form of dividends, interest, etc, which is exempt (upto Rs 3,000) from taxable income; dividend/interest income is assumed to be the same as in 1968-69 in absolute terms. For the highest income level in the example (*viz*, Rs 1,00,000) the actual amounts of saving in the form of life insurance premia, provident funds (including public provident fund), unit-linked insurance plan, Cumulative-Time Deposits of 10 and 15 years, etc, and income derived from specified financial assets are likely to exceed the amounts — Rs 20,000 and Rs 3,000 respectively — assumed in the example. But since these are the ceilings which are relevant for tax rebate, the maximum amounts eligible for concessional tax treatment have been assumed in the above example. (An increase in the amount of saving would change the numbers in the above calculation without affecting the argument.)

Computations show that: (a) in spite of the concessional treatment of saving (and some liberalisation in the tax rebate provisions during the period covered) the effective tax rates in real terms are higher in 1973-74 than in 1968-69 in all the cases, and (b) the extent of reduction in effective rate varies for the different income levels. The reduction in the effective rates of tax in 1973-74, at current rates of tax and assuming that savings are allowed as deduction, are shown in Table 7; the rates of tax, when no deduction is allowed for the saving, are also shown in the Table.

It will be noticed that, except where the ceiling on deductible savings operates (the last case in the above illustration), the reduction in the effective real tax rate is higher — both in absolute terms (measured as reduction in percentage points) and in relative terms (measured in terms of percentages) — under alternative II than under alternative I. One might conclude, therefore, that the existing provision for tax rebate on saving reduces to some extent the effective tax burden; but here, again, the effect is somewhat more favourable for the relatively higher incomes as would generally happen when, under a progressive rate structure, savings are allowed as a deduction in a uniform manner at different levels of income.

Income-Tax Revenue Statistics

The growth rates in the incomes of tax-payers in the different groups are not known for 1969-70 to 1973-74. Apart from the various shortcomings of the income-tax revenue statistics, the latest available information from these statistics relates to the Assessment Year (AY) 1969-70. An examination of income tax revenue statistics for the triennium 1967-70 show erratic trends. For instance, while the rate of increase in individual incomes assessed to tax was 0.2 per cent in the AY 1967-68, it shot up to 26.9 per cent in AY 1968-69, but sharply declined to 4.8 per cent in AY 1969-70. It is significant, however, that the rate of increase in salary income has been lower than the rate of increase in income from business and professions during these years for individual assessees. Since there is known to be large-scale evasion of non-salary incomes, the rate of growth in the true incomes of non-salaried assessees is bound to be quite high. In addition, the scope for avoidance of income — through splitting (e g, through the device of the Hindu Undivided Family or HUF) and inflated 'business' expenses, etc — the extent of neutralisation available to non-salary incomes would be undoubtedly great — particularly at the higher income levels. Therefore, although it cannot be quantified, the decline in the real disposable income of the lower income groups is likely to be quite high.

Measures to Reduce Impact of Inflation

If the impact of inflation on low income groups is to be reduced through tax policy, some measures to reduce the tax burden would be required. Several alternatives are possible. One way is adjustment in the income-tax bracket to the extent of the rise in prices (i e, indexing of income-tax brackets). Such indexing, as was mentioned earlier, restores the real value of post-tax incomes to their pre-inflation levels. This might involve a substantial loss in terms of revenue, however, and would provide sizeable relief to high income groups. An alternative, which involves smaller loss in revenue and is relatively more beneficial to low-income groups, is the raising of the exemption limit. Since raising in the exemption limit reduces the tax liability by a fixed amount, the extent of reduction in tax liability measured as percentage of tax payable now (i e, under the present exemption limit) would decline with the increase in the marginal rate of tax. Moreover, the increase in the exemption limit need not be uniform. The enhanced exemption limit can be graded so that, after a particular level of income, there is no enhancement in the existing exemption limit.

Reduction in tax rates is yet another alternative. The impact of this measure on effective tax rates would depend on the extent of reduction in rates at the different levels of income. If the reduction in the marginal rates of tax is greater at the lower levels of income, there will be relatively more relief to low income groups. On the other hand, if the extent of reduction is higher in the higher marginal rate brackets — as was done with effect from the financial year 1974-75 — the extent of relief will be more for the higher income groups!

Yet another alternative is modification of the existing incentives given for savings. At present — for the purpose of tax rebate — qualifying amounts of eligible savings (or income) are allowed as *straight deduction*, and hence the amount of tax tax rebate for a given amount of income saved is higher, the higher is the income, and *vice versa*. If the amount allowed as deduction were to be fixed as a graded proportion of the qualifying amount — declining with the increase in the size of before-tax income —, then there would be an increase in the quantum of tax saving at lower levels.

FROM THE CHAIR

Nirlon Synthetic Fibres and Chemicals Limited

Registered Office :

Nirlon House, 254-B, Dr Annie Besant Road, Worli, Bombay 400 025

Speech of the Chairman, Shri S Vaidyanatha Aiyar

THE following is the Speech delivered by Shri S Vaidyanatha Aiyar, Chairman, Nirlon Synthetic Fibres and Chemicals Limited, at the Sixteenth Annual General Meeting of the Company held on September 30, 1974:

GENTLEMEN,

I have great pleasure in welcoming you all to this 16th Annual General Meeting of the Company. The Report of the Directors and the audited Statement of Accounts have been made available to you in advance, and with your permission, I propose to take them as read.

The spiral of inflation has shown its impact all over the world and our country has not been an exception. It is a dreadful reality which everybody in the country has to face. The steep upward trend of the cost of living during the past six months clearly shows the seriousness of all the measures taken for controlling the inflation. What is being felt by the individuals in the day to day life is also experienced by the Management while administering the industry. Let us hope that the Government will hit upon some more definite production oriented measures for relieving the present situation of unabated inflation.

The supply position of Caprolactum as indicated by me in the last year continued to be alarming this year also. The Caprolactum price in the World market during the year under review has increased from $ 470 per m tonne to over $ 2,200 per m tonne. During the last few months, although the price of Caprolactum has come down slightly, but due to acute shortage of availability of foreign exchange, the STC has not been in a position to import Caprolactum to the fullest requirements. Gujarat State Fertilizers Co. Ltd have started their commercial production recently. We welcome them and wish them every success in maximum operation of the Plant. We hope Caprolactum price of GSFC which is today pegged at Rs 41/- per kg will be suitably rationalised to a reasonable level.

Taking into account the foreign exchange available with the STC and the expected availability from the GSFC, it is estimated that we will still not be able to operate our Plant to the full capacity during the rest of the financial year also.

As a result of the shortage of Caprolactum, your Nylon Tyre Cord Plant had to be closed since February 1974 and could resume operation only during this month, i e, after a lapse of over six months.

The production of Nylon textile yarn declined by about 38% as compared to the production of last year. There was a decrease in the production of tyre cord by about 33% during the year under review, as compared to last year. Due to shortage of Caprolactum as envisaged, we are afraid we may not be able to maintain our production even at the level of last year, which was much below our licensed capacity.

I am happy to report to you that during the year under review we achieved the production of Polyester filament yarn to the full expanded capacity permitted by Government. During the current year, however, there has been difficulty in obtaining raw material even for Polyester yarn, and the production will be comparatively lower during the current year.

Your Company along with other Nylon Textile Yarn manufacturers have signed a fresh Agreement with the various Actual Users' Association of nylon yarn. The special feature of this Agreement is that your Company can sell 25% of the production at a somewhat better price than the balance portion, which is at an agreed price. The terms and conditions of this Agreement were well received by the Government. As a result of abnormal increase in the price of Caprolactum the price on Nylon yarn has to be stepped up in accordance with the Agreement with the consuming industry. These factors compensated the turnover which would have been substantially low otherwise, due to the stiff fall in production.

The Polycondensation plant and machinery have been installed during the current year and is likely to be commissioned shortly. As a result of this project, your Company will be manufacturing Polyester chips which hitherto had to be imported for manufacturing Polyester yarn. The main raw material, i e, DMT and Ethylene Glycol are expected to be made available indigenously, but not in adequate quantities as required by the Industry. As a result of commissioning the Plant your Company will be saving foreign exchange worth about Rs 70 lakhs per annum.

The Company's application for importing capital goods necessary for expanding the textile yarn capacity to 4,200 tonnes, is still pending decision with the Government since no policy for permitting expansion of the existing Plant has so far been decided by them.

Your Company proposes to set up a Conveyor Belting Plant and has received a Letter of Intent for manufacturing the same. The Company is taking active steps to implement the said project at the earliest.

The Company's plans for Research and Development activities were examined by the Central Government authorities and these activities have now been recognised as such by the Central Government.

Your Company continued its efforts of earning the foreign exchange by way of export. The total export made by your Company during the year under review was higher by 100% as compared to last year, even though your Company has no obligation to export. Your Company has now been recognised by Government as a Registered Export House.

The Bonus Share proposal approved by the Shareholders at the Extra Ordinary General Meeting is being pursued vigorously with the Government.

The Company's relations with the Labour continued to be cordial. Your Company's policy to finance various activities towards cultural, social and intensive medical assistance are being continued.

Before I conclude, I would like to thank my colleagues on the Board for their co-operation, and all the Officers, Staff and Workers of the Company for the hard and sincere work they have put in for the successful operation of our Plant.

With these observations, I now move that the Report of the Board of Directors and the Annual Accounts for the year 1973-74, be adopted.

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

Ramon and Demm Limited

Speech of the Chairman, Shri H K Shah

THE following is the text of the Speech by Shri H K Shah, Chairman, Ramon and Demm Ltd, at the 10th Annual General Meeting of the Company held at the Indian Merchants Chamber Conference Hall, Bombay, on Friday, 27th September, 1974.

LADIES AND GENTLEMEN:

I have great pleasure in welcoming you to the 10th Annual General Meeting of your Company.

The 10th Annual Report and the audited Statement of Accounts for the year ended 31st March, 1974 have been with you for some time and with your permission I propose to take them as read.

Let me begin on a cheerful note. I am happy to inform you that your Company has received the sanction from the Controller of Capital Issues for the Issue of Bonus Shares in the ratio of 4 Bonus Equity Shares for every 5 Equity Shares held.

However, we are meeting at a time when India is passing through a difficult economic situation. Both external and internal factors have contributed to our sad plight. The oil crisis has pushed up the cost of transportation, fertilisers and power. The unprecedented inflation has reduced the purchasing power of the rupee from 100 paise in 1949 to 29 paise in 1974. Hence, prices of consumer and industrial goods have touched a new high. This in turn has resulted in the clamour for increased wages, resulting in further pushing up of costs of all commodities and thereby their prices. The railway strike in May 1974 and its aftermath is an example of this process of prices chasing wages and *vice versa*.

Added to this gloomy picture is the fall in agricultural production. In 1973-74 the fall was to the tune of 10 per cent. The forecast for the next year too is not a cheerful one. Side by side, industrial growth has been declining and in 1973-74 there has been practically no growth at all.

Inflation which has resulted from the rise in money supply on the one hand and shortage of production on the other, has eaten into the vitals of India's economy. Inflation is the enemy of development. Its adverse effects have spread to all sections of society. So far one cannot see any silver lining on the horizon, and it is difficult to visualise a breakthrough.

Naturally the people look to the Government to take the lead in bringing them out of this morass. Recently a few monetary measures have been taken with a view to bringing some stability in prices.

Here I may make a mention of the recent credit squeeze imposed by the Reserve Bank of India. Apparently it is aimed at reducing the money supply and thereby curbing inflation. This measure will, no doubt, reduce the money supply but at the same time it will have an adverse effect on productive activity.

On account of the credit squeeze your Company has to face a reduction in the credit facility as well as the discounting limits with the bank. Naturally, this has affected your Company and the continuing tight money conditions have also created problems not only for your Company but also for the industry as a whole. Coupled with this, the upward trend in prices of raw materials, consumable stores and other manufacturing expenses continues. There is no indication that the trend will be reversed. The cost of financing has also gone up due to the upward revision of the basic bank rate. Incidentally, this hike in bank rate is likely to push up the cost of all materials, which in turn, would result in high prices of articles manufactured.



Shri H K Shah

The sure remedy, to my mind, for this deep-seated economic malaise is increased production — both agricultural and industrial. The steps taken or contemplated to be taken by the Government should primarily be directed to pave the way for more and more production. It should be ensured that any fiscal measure to be taken does not directly or indirectly affect productive activity in any way.

In its own modest way your Company is pursuing the policy of increased production. In 1973-74, in spite of several adverse circumstances like power cuts, shortage of raw materials, etc, the production increased from 754 tonnes to 772 tonnes. This has resulted in increased sales and the turnover was Rs 3.09 crores as compared with Rs 2.79 crores last year.

However, though the turnover has been better this year there is a marginal decline in profits. This is attributable to increased wages and increase in the cost of raw material.

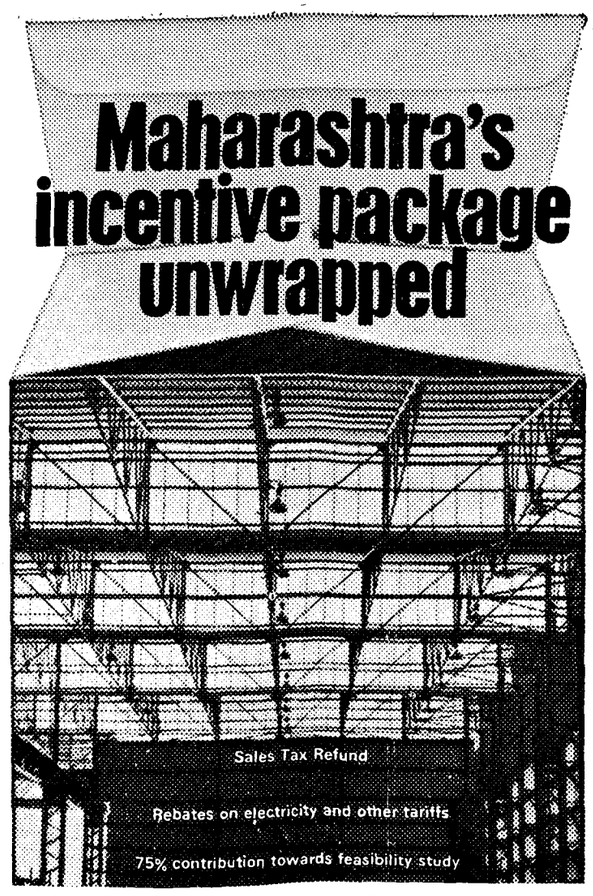
This year the performance is still better. During the first five months of the current year, your Company has increased the production to Rs 1.84 crores and sales to Rs 1.88 crores. The figures for the corresponding period for the previous year were Rs 1.22 crores and Rs 90 lakhs respectively. The total sales for the current year may well amount to Rs 4.5 crores and the production rise to about 1,100 tonnes.

Your Company is vigorously pursuing the implementation of the expansion project. The Company's application for the import of machinery has been cleared by the Government of India. The Foreign Exchange for import of plant and machinery for the project will be made available to the Company as soon as the agreement between the Governments of India and West Germany over the West German Project Aid (KEW loan) is signed.

Your Company has already negotiated with the foreign suppliers for the supply of plant and machinery for the expansion project and, wherever necessary, advances towards the purchase price for the machinery have also been remitted, so as to obtain the benefit of firm prices and delivery dates. Some of the indigenous machineries have already been received and the remaining are expected to be delivered within a few months. Construction of buildings, to accommodate the additional plant and machinery for the project, has reached the final stage and is expected to be over by the end of this year.

The satisfactory results for the year have been due to the contribution made by all staff and employees as a team. To them I wish to express on behalf of my colleagues on the Board and myself our appreciation for their services and hard work during the past year.

Note : This does not purport to be a record of the proceedings of the meeting.



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ECONOMIC AND POLITICAL WEEKLY

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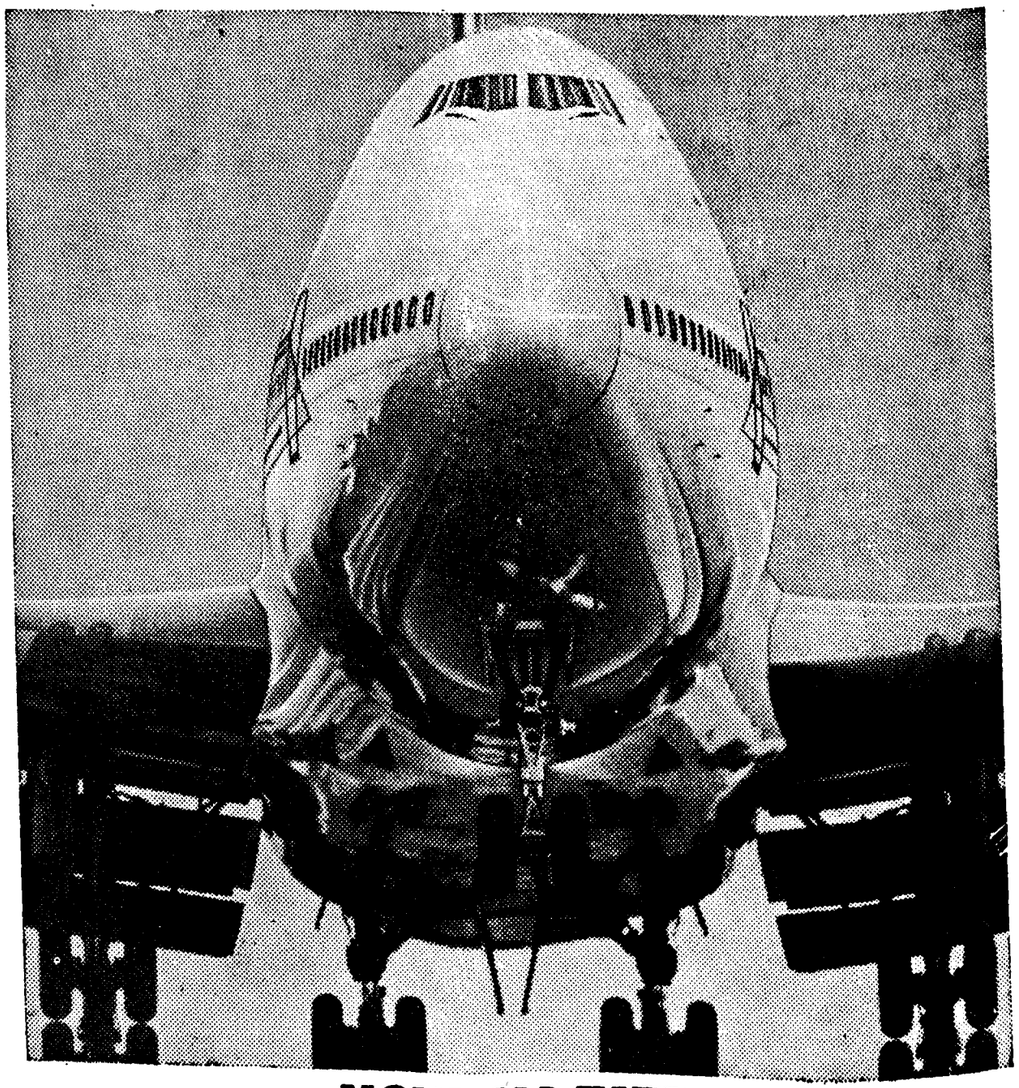
PRODUCTIVITY NORMS FOR THE STARVING

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In India's Life and Part of It

WHATEVER has happened to the much-publicised drive against smuggling? The arrest of the two hundred or so top operators under MISA was supposed to be immediately followed by a second round of action to smash the smugglers' organisational networks and sequester their illegal wealth. It is being guardedly admitted now that this operation has been held up, allegedly because of various legal, organisational and administrative problems. There are reports of lack of co-ordination and even co-operation among customs, enforcement and income-tax authorities. It has also been suddenly discovered that a number of top officials closely concerned with the anti-smuggling drive have chosen this particular moment to make visits abroad and that the crucial post of the Director-General of Enforcement is actually vacant. All this does not add up to a picture of earnestness on the part of the government. In fact, with the moving of K R Ganesh from Finance to Petroleum, the decks may said to have been cleared for a quiet de-escalation of the anti-smuggling operation which has yielded rich propaganda dividends for the government with hardly any bones broken.

Much has been said about the smugglers' links with politicians in power; it is also well known that the smugglers have their godfathers at all levels of the very wings of the bureaucracy which are charged with putting down their activities. These by themselves are enough reasons why no drive against smuggling will percolate below the surface. In the present instance, one may be sure that few of those now detained under MISA will be brought to trial because that would present the government with a choice between bringing forward evidence which would inevitably implicate many powerful people in the political and administrative set-up and deliberately withholding the evidence and allowing the smugglers now in detention to be acquitted by the courts. In the circumstances, MISA is convenient both to the government and the smugglers — especially since the latter's creature comforts are apparently being adequately looked after.

However, it is not only the influence that the smugglers undoubtedly enjoy among the country's top politicians and bureaucrats which gives smuggling its indestructibility and its intimate place in the country's life. It has been noted how, in recent years, gold has been displaced by a wide range of luxury consumption goods and raw materials for the manufacture of such goods as accounting for the bulk of smuggling into the country. Partly this may be attributable to the rise in the international price of gold which has made it unprofitable to smuggle it into the country. But no less an important reason is that the smugglers' clientele has changed as also the tastes of this clientele.

Not all the clients of the smugglers are black-marketeers and the like; nor is all the money spent on smuggled goods black money. A large proportion of the former are honourable men; in fact, society values their services so highly that it rewards them with very large incomes. Similarly, much of the money spent on smuggled goods — give or take some expense account fiddles — comes out of the legitimate earnings of those who are allowed these earnings both by way of recognition of the worth of their services to society and as incentives to them to perform even better. Luxury consumption is, therefore, implicit in the society's ideas of merit and of rewarding that merit. That some of the goods required to satisfy this demand for luxury consumption have to be smuggled into the country is incidental and is attributable to the country's lack of development. Consider, similarly, the uses to which the gains from smuggling are put. Like all sound, profit-making businesses, a part of the earnings are ploughed back; but much of the rest, from all accounts, goes into quite respectable, and even high priority, activities like the building of four- and five-star hotels and urban construction. The mainsprings of smuggling are, therefore, very much a part of the political and economic systems which the country has given itself.

Precisely because the drive against smuggling has almost spent itself, exaggerated claims are being advanced about the impact it has already had. The rising trend of prices, it is claimed, has been checked and some prices are in fact coming tumbling down. Against the widespread famine and starvation all over the country, this is nothing short of a cruel joke. In a few cases there may have taken place some slackening of demand and fall in prices; but this is hardly the same thing as a halting of the inflationary spiral. Taking the overall price level, it still remains true that the rise in prices so far this year has been even higher than it was over the same period last year. That apart, what are the types of commodities whose prices have

shown a tendency to ease? Some of them belong to the category of consumer durables or less essential consumption goods such as the more expensive varieties of cloth. With foodgrain prices having almost doubled in the course of a single year and the incomes of the majority of the population having remained stationary, it was inevitable that the demand for these types of goods would slacken and the rise in their prices would be checked after a point. The other type of goods the demand for which is showing signs of slackening are certain intermediate goods and capital goods which are feeling the impact of successive cuts in public sector investment. On the other hand, there are no indications at all of any easing of the prices of food articles which, after all, are what matter for most of the population. Thus in just the four-week period between August 8 and September 7, 1974, the wholesale price index for cereals rose by over 4 per cent, that for pulses by 9 per cent and that for all foodgrains by over 5 per cent. The decline in prices, of which so much is being made, is thus either of no concern to the large mass of the people or speaks of a further deepening of the economic recession.

The Famine

Productivity Norms for the Starving

A NUMBER of puritans are obsessed by the idea that fiscal outlays for augmenting the income of the rural poor must be devised so as to lead simultaneously to the creation of new capital assets. Two birds, according to this notion, must be killed with one stone: the process of adding to the earnings of the under-privileged must be accompanied by the active engagement of these people in asset-building operations. From here a kind of proselytising takes over towards different ends. The dogmatists have thus been saying that a large part of the current inflation is to be attributed to the fact that, while government funds and bank advances have been allowed to penetrate the countryside, their expenditure has not been controlled and the outlay in each case has not been accompanied by the actual creation of new productive capacity. Many among them, worried over the cost-effectiveness of fiscal outlays, are found insisting that even famine relief should have a content of development activity: do not open free kitchens, do not distribute doles, but let the poor come and work on test relief operations — such as digging a canal or building an embankment — and let them be paid strictly according to the quantum of work they put in.

Upto a point, certainly they are right. Certainly, political boondoggles and administrative corruption have siphoned off much of the funds intended for rural development. Even so, in this grim season, when landless labourers and their families are dying by the hundreds for lack of food, it is absurd to make a fetish of this argument. The application of the dogma has already led to a situation in a number of areas where those who were without food for a fortnight or more — and therefore on the verge of total collapse — have been denied succour by official agencies because they were incapable of contributing any worthwhile labour!

There are yet other inequities that are taking place. West Bengal's border with Bangladesh is being sealed with great efficiency, on the ground that destitute people are trying to cross over from the other side, where food is equally scarce. Those who want to come here in search of food belong mostly to the so-called scheduled castes. In 1971, they were the ones who, to escape the terror let loose by the Pakistani army, had dragged their bodies across the border: They had constituted more than nine-tenths of the 'refugees' in that year. As soon as the war ended, they were prodded back across the border; and the Prime Minister could announce to her electorate that the problem of refugees had been successfully tackled. They were compelled to return to East Bengal, where too they were generally unwelcome. As food falls short in Bangladesh, it is again these wretched ones who are squeezed. Foodlessness is a species of insecurity, and they try to move back to India — on account of certain assurances which (once upon a time) were given to them, or to their parents, by the leaders of the Indian National Congress. But past assurances cannot be permitted to jeopardise the living of the present leaders: the border is therefore sealed, none is to be allowed in.

In addition, within the national boundaries, railway platforms are being sealed. The poor in the countryside, who cannot get any food, suffer from the superstitious belief that once they get into a train and reach an urban centre, their chance of survival is enhanced. An "unhealthy" tendency develops, therefore, to crowd the urban pockets and to pollute the parks and the pavements there. The police and the railway authorities have been instructed therefore to pounce upon the dying who might attempt to slink into the trains. They have no business to come and disturb the well-laid plans of urban renewal.

Foreign Investment

Selective Bonanza

THE latest annual report of the International Finance Corporation (IFC) notes that though, in the year ending June 30, 1974, the international investment climate was marked by uncertainty because of floating exchange rates and the consequent volatile conditions in the foreign exchange markets, the pace of business and investment activity in both the industrial and the developing countries was strong. Preliminary data on international capital movements show that the total flow of resources to the developing countries in 1973, even excluding most of the Eurocurrency credits, was well over $ 24 billion. Of this about $ 11 billion was the form of direct foreign investment (including investments in petroleum, but excluding suppliers' credits). Direct foreign investment in spheres other than petroleum is likely to have been about $ 1.8-$ 2 billion. The partial information available suggests that the investment flows have been focused on certain countries such as Brazil, Indonesia, Korea, Malaysia, the Philippines and Tunisia. Foreign companies were also quite active in domestic investment in some of the major oil-producing countries.

Much of the foreign investment flowed into heavy industry, particularly petrochemicals, cement, iron and steel and fertilisers. The widespread shortages and soaring international prices of these intermediate goods appear to have stimulated a new investment cycle in these industries. This may also indicate that several developing countries are entering a more sophisticated and capital intensive phase of industrialisation. The heightened investment interest in the field of mineral exploration and development is another noteworthy feature. The worldwide search for secure sources of raw materials has prompted new investment in several countries including Brazil, Guatemala, Peru and the Philippines.

A number of developing countries like Indonesia and the Philippines took steps to establish facilities for local processing of raw materials in collaboration with foreign investors. Investors from some of the developed countries, particularly Japan, were eager to invest in countries like Indonesia and the Philippines to take advantage of their relatively low wages. Foreign investors also showed greater willingness to collaborate with local enterprises in the developing countries in export-oriented investments. Where the investment was primarily oriented to the domestic market, they were prepared to assume responsibility for marketing a part of the production abroad. Entrepreneurs from some of the developing countries, particularly India and Pakistan, were eager to set up joint ventures in other developing regions like Indonesia, Malaysia, East and Central Africa and the Middle East.

Many developing countries sought to increase national control over and participation in key sectors of the economy and to place greater emphasis on the local share in foreign-owned enterprises. This trend has been more evident recently in the field of development of natural resources. As in the past, there were several cases in 1973 of governments of developing countries decided to participate in or take over foreign-owned investments — but so after undertaking to pay fair compensation, so as not to impair the climate for foreign investment.

During the major part of 1973, developing country borrowers, especially those endowed with abundant natural resources, were much sought after in the Euromarkets. In all, 40 developing countries borrowed in excess of $ 9 billion equivalent in the form of publicised loans in 1973. On a gross basis, this was more than twice the 1972 level. The maturity period of the loans raised in 1973 was longer and the spread between deposit and lending rates narrower. If the unpublicised loans are also taken into account, total Euromarket borrowings by developing countries in 1973 are placed in the range of $ 11-13 billion. During the first quarter of 1974, publicised borrowings by the developing countries were still quite large at about $ 3 billion or almost around the same rate in the early part of 1973. However, the lending terms became gradually more stringent and the number of developing countries in the market declined. The liquidity squeeze was much more noticeable in the case of loans to private borrowers from the developing countries. These trends became more pronounced in the second quarter of 1974. In view of the worsened balance of payments position of a large number of developing countries, in particular on account of the rise in petroleum and food prices, their credit-worthiness in the Euromarkets has suffered.

Agricultural Finance

More and More, but to What Purpose?

THE performance of the Agricultural Refinance Corporation (ARC), whose Report for 1973-74 (July-June) has just been released, looks on the face of it commendable. The Corporation's disbursements increased by 42 per cent from Rs 65 crores in 1972-73 to Rs 92 crores. As many as 550 schemes, involving total financial assistance of Rs 251 crores and a commitment of Rs 220 crores by the ARC, were sanctioned during the year against 230 schemes with assistance of Rs 197 crores and a commitment of Rs 172 crores by the ARC in 1973. The ARC has tried to bring about some diversification — purpose-wise, agency-wise and region-wise — in its own lending operations as well as in those of the institutions eligible for refinance from it.

Minor irrigation has been the mainstay of ARC's lending operations, accounting for over 89 per cent of its total lending in 1972-73 and over 87 per cent in 1973-74. But in recent years the Corporation has increased its commitments for schemes of farm mechanisation, land development, plantations, horticulture, storage, construction of market yards, fisheries, dairy development and agricultural aviation. Aggregate financial assistance for purposes other than minor irrigation rose from Rs 65.18 crores at end-June 1969 to Rs 205.61 crores at end-June 1974.

Agency-wise, though the land development banks (LDBs) continue to be the main agency to which the ARC provides refinance, commercial banks made considerable use of ARC refinance in 1973-74. ARC's disbursements to commercial banks on this account increased from Rs 4.5 crores in 1972-73 to Rs 17.4 crores in 1973-74 or from 4.3 per cent of its total disbursements to 17.7 per cent. In sanctions, the rise was even more impressive — from Rs 25 crores for 104 schemes in 1972-73 to Rs 85 crores for 407 schemes in 1973-74.

Region-wise, the share of the Eastern region in total refinance disbursed by the ARC rose to Rs 6.48 crores in 1973-74 from Rs 1.69 crores in 1972-73. Likewise, the Central region, comprising UP and MP, also got more. However, the shortfall in ARC's disbursements in 1973-74, compared to the projection of Rs 120 crores, was due to the Eastern and North-Eastern regions and J and K and Himachal Pradesh. In the Eastern and North-Eastern regions, "where the environment for development is particularly difficult", Bihar alone shows some improvement.

The ARC's Annual Report admits that "there are no signs of a breakthrough in Jammu and Kashmir, Himachal Pradesh, Assam, Meghalaya, Manipur, Mizoram, Nagaland and Tripura, despite persistent efforts by the Corporation". However, one of the reasons advanced by the ARC for this does not bear scrutiny. ARC says: "Considerable spade-work will be needed to prepare the farmers in these areas to accept institutional finance for developmental purposes in place of subsidised but limited government funds made available so far without insistence on prior appraisal and ultimate repayment." In fact, neither "prior appraisal" nor "ultimate repayment" have been insisted upon in those parts of the country where institutional funds have been made available on the most generous scale. Discussing the large overdues in some of these states, the recent report of the Study Team on Overdues of Co-operative Credit Institutions has blamed "the absence of a favourable climate due to the attitude of the state government resulting in wilful defaults on a large scale". The encouragement of "wilful defaults on a large scale" by state governments has in no way come in the way of large disbursements by the ARC and other institutions in these regions.

Two years ago, in September 1972, the then chairman of the ARC had pointed to the rise in the overdues of primary societies from 37.7 per cent of their loans outstanding in 1969-70 to 41.1 per cent in 1970-71 and in that of Central co-operative banks from 29

per cent to 33.7 per cent. The overdues of land development banks had gone up from 13.5 per cent of loans due for repayment in 1970 to 23 per cent in 1971. The ARC's chairman had then warned that "it is not too late for remedial action to be taken so as to bring the co-operatives back onto a sound footing and enabled them to play the part expected of them in the nation's drive for increased agricultural production". However, despite this warning two years ago, the latest Annual Report of the ARC records that the overdues of LDBs "increased alarmingly from Rs 12.89 crores in 1969-70 to Rs 76.33 crores (provisional) in 1972-73; as percentage of demand, i e, the amount due for repayment, overdues rose from 21 per cent in 1969-70 to 42 per cent in 1972-73." The overdue amound is thus almost equal to the ARC's total disbursements in 1973-74. What the people of the Eastern and North-Eastern regions, where the ARC's disbursements have failed to pick up, appear to lack is the knack of securing large volumes of institutional finance and accumulating large overdues!

With overdues amounting to over 40 per cent of institutional credit due for repayment, certain important questions arise about the source of these funds and their inflationary potential. A large chunk of co-operative and commercial bank finance is, directly or indirectly, related to created money. For instance, out of Rs 309.74 crores of refinance granted by the ARC upto June 1974, Rs 163.50 crores have come from the Government of India. One-half of the latter amount has been based on funds provided by the IDA and the balance has come from the RBI or has been raised through bonds and debentures which are subscribed to by banks and other financial institutions. Similarly, the Reserve Bank pumps in large amounts of funds into the co-operative sector. The total flow of institutional funds to the farm sector — from co-operatives, commercial banks and government — for short-term and long-term purposes was about Rs 950 crores in 1969-70 and no less than Rs 1,400 crores in 1973-74. Should such funds be pumped into the system without consideration of their inflationary impact and their distribution?

The ARC, according to the draft Fifth Plan document, was expected to provide refinance facilities of about Rs 600 crores by the end of June 1979. Against this, the ARC itself has a far more ambitious programme which envisages "an aggregate disbursement of about Rs 900 crores for the five-year period" (July 1973-June 1978). However, there is no particular merit in aiming at higher disbursements without regard to the source of the funds and their distribution according to an overall plan programme and without relating the lending programmes to real inputs. The ARC's report itself illustrates this when it points out that "Dairy Schemes have ... made little progress because farmers have found it difficult to obtain quality milch cattle. The high cost of feed has made it uneconomical to maintain poultry. Fishery schemes, too, have not picked up in the absence of adequate extension work, etc."

The ARC also appears to be oblivious of the problem of distribution of the large flow of institutional finance among different groups of farmers. This question is important not only from the standpoint of equity and the distribution of the wherewithal for agricultural growth; it must now also be asked whether the flow of larger and larger amounts of institutional finance to the bigger farmers at all contributes to higher agricultural production and whether its primary contribution is not to enhance the ability of these farmers to withhold their output from the market. The one-dimensional concern only with the amounts of institutional credit has made the management of the supplies of foodgrains as well as other agricultural commodities more difficult.

Japan

Oil Dollar Haul

THE Japanese government has secured a $ 1 billion loan from Saudi Arabia. The loan is repayable after five years and carries interest at 10.5 per cent per annum.

The US has raised dollar loans from Arab oil-producing nations by selling Treasury Bills and Britain, France and Italy by issuing government guaranteed bonds. But the Japanese loan is the first negotiated on a government-to-government basis and is much larger in amount.

Negotiations were conducted with the utmost secrecy and were completed in the record time of two months. Secrecy was essential in view of the keen competition for loans from the oil-producing countries from Britain and Italy, whose balance of payments positions are critical. The need for speed arose from Japan's own deteriorating foreign exchange position. Because of the steep rise in the cost of oil imports, Japan's gold and foreign exchange reserves have dropped from $ 14.795 billion in October 1973 to $ 13.204 billion in July 1974.

For a while, Japan was able to control the situation by borrowing in the Euro-dollar market. However, following the bankruptcy of the West German bank Bankhaus Herstatt in July 1974, the Euro-dollar market tightened up, the interest rate rose to 13 per cent and Euro-dollar borrowings became difficult and costly. The Japanese Yen, which in July 1973 was holding firm at 265.70 Yen per dollar, weakened to 302.70 Yen per dollar by the end of August 1974. The seriousness of the situation can be judged from the Japanese government's readiness to pay 10.5 per cent interest on the Saudi Arabian loan. Though the 10.5 per cent may look cheap compared to the current Euro-dollar rate of 13 per cent, there are signs that international money rates will fall in the future. In that case a fixed interest rate of 10.5 per cent over five years will turn out to be expensive indeed.

The billion oil dollar loan has a deeper significance for Japan than the short-term advantage of relieving the dollar shortage in the Tokyo foreign exchange market and easing the pressure on balance of payments. It marks Japan's entry into the race for oil dollars. More important, it signifies a strengthening of Japan's hitherto tenuous relations with the Arab world. The US and European countries like Britain and France have had historical and political ties with the Arab nations. Japan's relations with the Arab nations, on the other hand, have been confined mainly to the purchase of Arab oil. This has now to change under the impact of the oil crisis and the billion dollar loan is the first major sign of change.

West Bengal

New Forms of Fiddling

A Correspondent writes:

THE economic situation in West Bengal has never been so bad. Despite the many development plans and crash programmes launched by the state government, industry and agriculture are in a shambles. Unemployment, already very high, has risen sharply, particularly among the small peasants and landless workers in the rural areas. Added to this are the floods in northern Bengal and the drought in the southern districts which have severely damaged standing crops.

Even these natural calamities cannot, however, explain the current famine in West Bengal. In 1973-74, West Bengal produced about 65 lakh tonnes of foodgrains, about 3 lakh tonnes less than in 1972-73, against a total requirement of about 85 lakh tonnes a year. With drawals from the Central pool being approximately 10.60 lakh tonnes till end-September, the net food deficit in the state was relatively small. This could not have brought on the present crisis, had the state government shown some seriousness about achieving the procurement target of 5 lakh tonnes.

Official estimates are that more than 10 lakh tonnes of grains are being hoarded, mostly by resourceful large farmers and traders. Occasional talk of busting the rings of hoarders cannot be expected to unsettle these operators. One obvious indication of the influence of this class within the state government is the failure of the Youth Congress-sponsored anti-hoarding drive to take off.

The complete inactivity of the Left political parties, particularly of the CP(M), in the face of this grave economic situation, has puzzled many. The CPI, the political ally of the ruling Congress, has conceded the failure of its recent movement to unearth hoarded grains. The CP(M) has not much more to show. In a recent statement, Promode Dasgupta, the state secretary of the CP(M), has talked of a new programme which includes mobilisation, rallies, conventions, gherao and dehoarding. The party claims to have abandoned older forms of struggle like the bandh. One ingenuous justification advanced for the CP(M)'s relative inactivity is that if it launches an all-out anti-Congress agitation when the Congress is bedevilled by faction fights, the fighting factions may be persuaded to bury the hatchet and unite in a common anti-Marxist front.

All this caution has not, however, stopped the CP(M)'s descent downhill. The Youth Congress, aided by the police, has had considerable success in dislodging the CP(M) from one trade union after another. Recent developments in an engineering factory in South Calcutta illustrate the *modus operandi* of the Youth Congress. The CP(M)-led union in this factory was first broken by strong-arm methods and workers were forced to support the newly-formed INTUC union which was then given recognition by the management as the representative body of workers. Such tactics have been repeated throughout Calcutta, Durgapur and elsewhere. In the rural areas also the CP(M) has been given a bloody nose by the Congress. But the leadership of the party remains apparently unconcerned — as the latest programme announced by the party demonstrates.

Stock Markets

No Cause for Insomnia

THE operative principle on Dalal Street is still "sell now, buy later". The volume of sale, which had never assumed severe proportions outside the speculators' ring, has declined, however. So too has the order of price fall, as was to be expected (see Table). If what in market parlance is described as 'stability at lower levels' has proved elusive, the reason is that institutions like the LIC and the UTI are no longer operating on the dictum of a past era that bull speculation is good and bear speculation bad. In other words, they do not feel compelled to 'support' the market.

The UTI is facing a resource shortage, following the outgo on account of dividend distribution for 1973-74 and the decline in investment in units. There are reports that it has entered into a swap deal in certain shares with LIC in order to bolster its cash resources. Both UTI and LIC are investing in the cali money market where their money fatches 15 per cent a year. LIC, in addition, has become a large investor in the bonds of various development agencies and municipalities.

The speculators can, therefore, no longer take it for granted that there will be a continuing supply of funds from the institutions. And that is why they are taking time to find their feet. The markets are, however, acquiring a feel of the situation. Share prices are fluctuating at lower levels, reflecting replacement buying and switches. Now that there is a restriction on bonus issues in excess of a one-for-one ratio, fresh buying in search of bonus issues will be limited.

The MISA jitters have not affected the share markets. There was a time when funds from questionable sources had poured into speculation, especially in new issues, but many burnt their fingers following strict action by the Bombay Stock Exchange authorities. More significant, from the point of view of Dalal Street, is the fact that the government is allowing price increases — to paper, cement, and commercial vehicles, to mention only a few industries. Clearly, as Dalal Street sees it, the restoration of initiative to the private sector can hardly be deferred for long. The "long run prospects are very good", to quote Birla-adviser Mandelia.

True, there is the possibility of an industrial recession. But Dalal Street does not seriously think that the problem will be any more intractable than the mild setback of 1969. Whatever be the fate of investment in the public sector, and its impact on a section of the private sector, the current shortages will continue to ensure booming revenues to the existing companies.

It is good to talk of recession, nevertheless. For one thing, pressure has to be put to secure a relaxation of credit policy and a lowering of the Bank rate. The feigned alarm over decline in prices is similarly motivated. The textile mills, for instance, have raised the bogey of a recession in textiles to beat down the grower. The cotton crop estimate for the 1974-75 season, now two months old, has been revised upwards. In sugar, too, the mills are widely advertising their fears of a drastic fall in prices at the commencement of the new season.

In fact, not many are losing sleep because of the threat of recession. If prices really come under pressure, output can always be restricted, as spinners of synthetic yarn are threatening to do. Power breakdowns, raw material shortages and transport bottlenecks provide ready-made alibis.

TABLE

	Oct 6	Sept 4	July 4	1974 High
Bombay Dyeing	47.50	49.50	58.50	70.00
National Rayon	269.00	298.00	368.00	428.00
Century	459.00	468.50	600.50	648.00
Tata Steel	71.00	75.00	92.75	108.00
Telco	208.50	207.50	257.00	274.00
Voltas	190.00	209.00	253.00	257.00
Scindia	30.00	28.60	33.45	35.50
Tata Chemicals	34.00	36.00	44.25	45.00
NOCIL	273.00	295.00	377.00	392.00

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Sailing Full

Hansavivek

GREAT EASTERN SHIPPING is fast expanding its fleet. With the acquisition of two Cunard Line ships and a product carrier, the company crossed the half a million deadweight ton mark in May last. It has executed fixed-price contracts for another seven ships, — including two Swedish OBO carriers. Of the four ships under construction at Hindustan Shipyard three, together with a Scott Lithgow vessel, are expected to be delivered during 1975-76; the fourth ship from Hindustan Shipyard and two OBO carriers are expected to be delivered during 1976-77. This will complete the Rs 89-crore expansion approved by government. Meanwhile, the company has submitted the second phase, envisaging a further total investment of Rs 295 crores, which will add a further 8,63,000 DWT of capacity. The government is evidently about to relax the debt-equity ratio from 6:1 to 10:1. The borrowing limit of the board has been raised, from Rs 200 crores to Rs 400 crores. This substantial expansion is, moreover, intended to be financed largely out of foreign exchange loans, shipbuilders' credits, and rupee loans from the Shipping Development Fund Committee. The indebtedness envisaged under this plan, would necessitate the total equity — *viz*, paid-up capital plus reserves — to reach the Rs 40-crore mark. The present share capital and reserves aggregate Rs 21.40 crores.

During the year to March 1974, GES fared very well despite increase in costs. Repairs and maintenance charges for the fleet cost it Rs 1.71 crores more than in the previous year, and interest charges were about Rs 73 lakhs higher. The contraction in margins reflected the fact that there was no sale of old ships during 1973-74 — and hence no addition to the profit on account of this *non-recurring* item. During 1972-73, on the other hand, there had been a gain of Rs 1.79 crores on the sale of old ships which had inflated that year's profit. For taxation purposes, the entire profit of 1973-74 has been absorbed by the development rebate of Rs 5.06 crores accruing on the new additions to the fleet: No provision for income-tax has been made, therefore. As there is no taxable income, moreover, there will be a carry-forward of a claim for 'section 80 J relief', and so the company will in fact be carrying forward development rebate of about Rs 140 lakhs for set-off against future assessable income. The company will be able to claim for tax purposes development rebate on the four ships which are expected to be delivered upto May 31 next, and accelerated initial depreciation for the remaining ships which will be delivered thereafter.

The current year has begun very well for the company and the directors expect a still higher profit, since most of the tonnage will be employed on contract for the rest of the

The Week's Companies

(Rs in Lakhs)

	Great Eastern		Indian Oil		Kaycee Ind		Surat Electric	
	Latest Year 31-3-74	Last Year 31-3-73	Latest Year 31-3-74	Last Year 31-3-73	Latest Year 30-6-74	Last Year 30-6-73	Latest Year 31-3-74	Last Year 31-3-73
Paid-up capital	958	479	430	430	25	25	124	124
Reserves	1184	1425	303	186	31	17	184	171
Borrowings	4335	1772	693	876	18	8	200	196
of which Term Borrowings	3011	1107	543	486	—	—	135	135
Gross fixed assets	6355	4576	1114	1070	28	27	634	594
Net fixed assets	4967	3546	843	889	15	15	454	426
Investments	21	21	—	—	—	—	21	21
Current liabilities	763	503	130	119	17	25	109	83
Current assets	1018	1170	697	586	68	48	140	125
Stocks	—	—	187	361	30	19	47	43
Book debts	757	833	177	157	26	23	76	72
Net sales	1954	1495	1079	325	92	75	367	357
Other income	137	244	12	5	4	—	11	11
Raw material costs	825	606	309	235	40	25	253	246
Wages	268	254	74	40	24	21	31	28
Interest	235	161	88	34	1	1	16	15
Gross profit (+)/loss(—)	718	680	333	63	18	17	49	47
Depreciation provision	360	253	91	87	2	2	19	17
Tax provision	—	—	—	—	10	10	8	2
Net profit (+)/loss(—)	358	427	242	—24	6	5	22	28
Development rebate provision	253	202	37	155	—	—	—	4
Transfer to reserves	—	105	42	—	4	3	15	10
Dividend								
Amount	E 115	120	P 9 E 30	9 —	E 2	2	E 5 P 2	12 2
Rate (per cent)	E 12	25	P 9.3 E 9	9.3 —	E 7.50	8.50	P 8.45&9.5 E 5	8.4.5&9.5 12
Cover (times)	0.91	1.87	2.40	—	3.00	2.50	4.00	1.83
Ratios (per cent)								
Gross profit/sales	36.74	45.28	30.89	19.38	19.56	22.55	13.35	13.16
Net profit/capital employed	5.52	11.61	16.97	—	8.11	12.50	4.33	5.70
Inventories/sales	—	—	17.32	111.08	32.61	25.33	12.80	12.04
Wages/sales	13.72	16.99	6.86	11.30	26.09	28.00	8.44	7.84

year. They add, however, that the freight market may not maintain high levels next year. The company has contracted forward a very large proportion of the tonnage, and it should be better placed to weather any storm that may hit the shipping industry. The tanker fleet and the OBO carrier have been booked upto 1977, and a large part of the dry cargo is booked well into 1975. Also, the Japanese steel mills, with whom GES has a long-term relationship, have been assisting the company during the period of unforeseen difficulties following the oil crisis. The directors feel that, by the time the company's ships become free from contracts, the worst will be over. They therefore intend to undertake the large expansion programme with a 'high sense of optimism'.

INDIAN ORGANIC CHEMICALS' installed capacity of 6,100 tonnes of polyester staple fibre, based on the warranty contained in the agreement with the technical collaborators, who also supplied the process machinery and equipment, has not yet been established. Even during the second year of production, the Manali plant had problems with equipment and process. The collaborators agreed to supply some additional imported equipment free of charge to effect certain improvements in the working of the plant. An import licence was issued by government in December last, and the shipments were not completed before the end of 1973-74. Meanwhile, some improvement in the quality of the product was achieved by the company's own technical team during the latter half of last year and stocks of fibre were largely sold out, especially owing to the scarcity caused by the shortage of DMT. The company is due to allot 19,275 new equity shares of Rs 100 each fully paid up to Chemtex, for rendering of certain technical services and partly towards the supply of machinery and equipment required for the polyester fibre project as per the supplemental agreement of October 1970. These shares have not been allotted, pending settlement of contractual obligation.

Equipment and process problems apart, the polyester plant also experienced a serious shortage of DMT as supply by IPCL was curtailed. Since imports of DMT were also difficult, in the world-wide scarcity of petroleum products, the plant had to be shut down for about 17 weeks. In addition, power supply in Tamil Nadu was also restricted in the summer. Total production was thus 2,423 tonnes, against 1,124 tonnes in the previous year when the plant had operated for only part of the year. At the Khopoli unit, production of all chemicals, except plasticisers, was quite satisfactory. The company's financial results are impressive, with sharp rises in turnover and profit-margins. The ratios of both wages and inventories to sales were substantially reduced. Borrowings were also considerably lower. The company paid a 9 per cent dividend on equity, which was skipped last year. The directors would have recommended a higher payment — but for the legislation restricting dividends. The expansion of the benzyl plant, commissioned last year, is expected to be completed in the current year. The company has received an industrial licence to put up a distillery in Maharashtra, with a capacity of 80 lakh litres of alcohol.

KAYCEE INDUSTRIES is seeking to increase its licensed capacity of counters. The company's present licensed capacity is 7,600 numbers (excluding textile counters); but the installed capacity is 18,000 numbers. Actual production during 1973-74 was 11,230 numbers (including 4,042 numbers textile counters). Production of rotary switches and micro switches was 95,790 numbers and 1,15,216 numbers, respectively, against their installed capacities of 2,50,000 numbers each; and that of water meters 2,338 numbers against installed capacity of 3,600 numbers. Motor control switches have been introduced, and the range of micro switches is being expanded. The company's margins contracted last year, despite over 22 per cent rise in net sales. The ratio of inventories to sales increased considerably over the year; and the ratio of wages to sales showed a decrease. Dividend, lowered by a point to 7.5 per cent, was covered three times against two-and-a-half times previously. The Pakistan unit has been under the control and management of Pakistan Government since 1965.

SURAT ELECTRICTY is negotiating with the state government for extension of the sanction, which is at present terminable at any time upon the Gujarat Electricity Board giving one year's notice, for a further period of 10 years from 1978. Meanwhile, the company took up last year capital expenditure of Rs 43 lakhs and continued expansion of existing capacity and facilities. The existing 22 kV system at the company's 'B' receiving station is being converted to 66 kV. Civil works are in progress and the entire project, estimated to cost Rs 63 lakhs, is expected to be completed during the current year. The diesel plant has continued to supplement the supply from GEB. During 1973-74 SEC's energy sales looked up by a mere 2.19 per cent against an average growth of 10 per cent per annum achieved during the last 10 years. The decline, which was particularly steep during the second half of the year, is ascribed to frequent restrictions on power supply, the recession in the jari and diamond-cutting industries and the disturbed conditions in Surat during January and February 1974. Net sales and gross profit were also modestly better than in the last year. Although disposable profit was more than sufficient for a total distribution of 12.5 per cent on equity shares, the dividends limitation legislation has restricted the 'distributable profit' as defined in it. Hence, no additional dividend on equity shares, beyond the interim payment of 5 per cent, was recommended by the directors. R P Aiyer, chairman, points out that the legislation particularly affects the electricity supply industry adversely because the electric supply undertakings have been already functioning within the ambit of the rigorous financial control exercised by the Electricity (Supply) Act.

JAYANT VITAMINS, which came to the capital market last year with a public issue to raise part of the finance required for its project to manufacture Vitamin 'C' and other products, went into commercial production during August last. The product conforms to the standards of Indian pharmacopoeia and has been approved by all the consumers, but government is yet to fix the selling price of Vitamin 'C', which is classified as an essential bulk drug and falls within the purview of the Drugs (Price Control) Order. Meanwhile, the unabated escalation in cost of machinery, pipes, fittings, electricals, etc, has raised the project cost. It is estimated that there will be an overrun of more than Rs 60 lakhs in the total cost of the project when all sections of the plant, including hydrogen and sorbitol, are completed. This will necessitate raising additional finance by way of term loans, for which the company will soon approach the financial institutions. The central cash subsidy of Rs 15 lakhs, expected to be received shortly, because of the location of the plant in the 'backward' area of Ratlam, will also be utilised towards financing the cost of the overrun. The directors say that the company will also be entitled to a deduction equal to 20 per cent of the profits for 10 years from the start of the manufacturing operations under the Income-tax Act.

The Politics of Jogging

Romesh Thapar

QUIETLY, without fanfare, a judgment has been delivered in the Supreme Court which should help to strengthen the hands of those who are campaigning for strict curbs on the monies that a politician can spend on his or her election to a legislature or Parliament. In the unseating of Delhi Congress MP, A N Chawla, Justice Bhagwati has refocused attention, very lucidly, on some of the core problems of free and fair elections. What is lacking is the movement which could carry forward the assault on those who have corrupted the democratic process.

As always, it will be necessary to proceed beyond individual cases in order to understand how distortions will repeat themselves, unless the system of election and representation itself is brought under intelligent scrutiny: If money has falsified results, so has caste; if individualism makes for political factionalism, how are political programmes to be emphasised in a complex society? We are obviously too devoted to Anglo-Saxon practice and most uncertain about attempting innovations. Pressures will have to build to crack this, essentially imitative, mentality.

If politics is still taking a back seat, it is because we have as yet to realise how profound is the impact of this activity on the economic climate. This is unfortunate. With all the 'squeezes' that are on, the signs are that we are entering a kind of economic recession. Cars are lying by the hundreds, unsold. Cloth prices are being reduced to attract customers. If these manifestations of a recession multiply in the major areas of activity, then there will be panicky moves to revive productivity in sectors threatened with closure. And politics will continue to take a back seat.

Obviously, it is the Congress party which should take the initiative to spark off thinking on how to separate money from politics and how to deepen disciplined democratic participation at every level of national activity. The strength of feeling among the younger sections of the population is well illustrated by the support which Jayaprakash Narayan is able to muster despite a rather fuzzy programme. JP's honesty of purpose and his passion to find new answers to our problems can mobilise mass support.

The Bihar bandh, powerfully symbolic, has proved once again that the faction-ridden Congress party in the state is dangerously isolated and unable to operate. The sympathy bandhs over the rest of the country, though not on the Bihar scale, are also indicative of national anger building against lack of intelligent and honest governance. This mood is largely confined to urban India, but with famine and drought ever present one should not underestimate the spillover into the rural areas. Gujarat is a pointer.

Political leadership in India has always been at pains to prevent the build-up of national angers. Indira Gandhi is no exception. If JP is able to keep his movement under discipline even as it surfaces in other states, he will compel Delhi to talk in terms of fundamental changes in the system. This discipline will, however, become increasingly difficult as all manner of discredited politicians climb on to his band-wagon. Increasing reliance on the new leaders, being thrown up by the movement, could be the answer. But the task is formidable, for there are so many who would commend irresponsible acts in order to crush the protestors.

Meanwhile, the existing system is beginning to fester as it promotes one incompetent person after another into positions of power. The seniority principle, together with manipulative trade union activity which prevents lateral entry of fresh talents, is slowly reducing government to a business to be handled by a tiny handful of still competent persons who happen to have found their way up the ladder. But they are too few for the tasks that are demanding attraction. As with the politician so with the bureaucrat, the average and below average are striking it good holding jobs and privileges without any commitment to the nation.

All this comes into sharp focus when a visitor like the Shah of Iran descends on the scene. Considerable effort has to be expended to maintain a semblance of sophistication and efficiency. The dialogue between the two countries doesn't really make a dramatic thrust because the basic preparations are indifferent, off-the-cuff, without concretely worked-out perspectives. So poor is the understanding of the profound change possible in Indo-Iranian relations that chatter about the Shah's 'imperialist dreams' is made to sound credible.

Until the leading echelons of the Congress party at the Centre and in he states are educated about the framework within which policy is now being organised, the present confusion will continue. The tendency will be to turn to Delhi — to the most powerful in the Capital — to resolve problems and to push the ranks to some disciplined thinking. The Congress party, despite its amorphousness, was always able to show a broad programmatic framework. Now, the situation is quite different and needs urgent changing.

The shake-up in the Council of Ministers, due any day, might clarify Congress party intentions. It will have to be pretty thorough to achieve a result of this kind — although, personally, I don't think any major movement forward will take place unless there is action on restructuring the political and administrative system which keeps us marking time; jogging as it were.

October 7

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Calcutta Diary

A M

THE Left is mesmerised, barring those in it who have decided to build present factories with future bricks. The adherents of the Right — more precisely, those among them who are excluded from the ruling junta — cling for dear life to Jayaprakash Narayan. The power brokers, so-called, must fondly hope that the leader would come up with a few new conjuring tricks; the inchoate character of the Opposition is a great help; and it should always be possible to play upon the apprehension which exogenous elements might come to entertain about the consequences of a 'de-stabilised' India.

So, give or take a few local upheavals, the present absurdity will continue. No economic growth worth the name will take place, per capita income will dip, every now and then some people will die of starvation, the the punitive instruments wielded by the State will, however, be kept in trim. And the polity will hold together. But just about.

Even without China

There will be no dearth of ranting. On this side, Pakistan, once it is able to lick its Baluchi problem, might forge ahead economically. On the other side, foreign dispensations showered upon Bangladesh could prove adequate for that country's rapid growth even after allowing for leakage through administrative and political corruption. Sri Lanka has already a much higher standard of living than India's, the genre of the problems it faces is more tractable, and that island in the sun too may somehow be able to stay ahead of us in the matter of economic growth. Even if mention of China is taboo, other comparisons will yet be made, and discontent will continue to be widespread.

Those who are not getting the breaks, those whose consumption levels decline with every day, those whose talents are not being provided with any outlet, will increasingly begin to chafe. By and large, the chafing will be infructuous. The size of the country will guarantee that the climacteric of a local rumble is always a whimper. Some resources will always be available somewhere in the country — in Punjab or Andhra Pradesh, with the rich farmers or the richer traders. Where discontent threatens to spill over the brim of tolerance, the surplus will be pulled out from wherever it originates and used for bribing the would-be insurgents. It will not be simply a case of dangling the carrots; the disgruntled ones will be allowed a few bites as well. The ubiquitous stick will be at work too. The specific mould of politics should be a great help: Each of the parties, including the ones mouthing the most revolutonary froth, are led by middle-class specimens who are of limited stamina, impressionable, and — depending upon circumstances — even purchasable. Grand sagas of heroism are no longer a relevant category; it is the casual snippets of courage which today constitute the theme of living. Insurrectionary aspirations will, therefore, die down in no time.

No Outrage Either

There will be no growth, but there will be no uprising against the outrage either. The backward areas will remain backward and the economically weaker sections will remain weak. When things become particularly trying and measures of oppression threaten to recoil, some lollipops will be thrown to the disenchantment-mongers. But the fact that these lollipops will have to come from the resources of the surplus parts or sections will ensure that their pace of progress too is slowed down. Maintaining an efficient paraphernalia of oppression is itself enormously resource-using. What is more, once outsiders are aware that this huge mass of land and people is featured by a zero rate of growth, the gleam in their eyes will burn brighter. Steps will thus be taken to further strengthen the arrangements for defence; in any case, when things begin to go badly at home raising the spectre of outside aggression is good, solid, diversionary tactics. Squeezable resources will thus be squeezed out even more. Such being the case, those who pin their hope on the efficacy of 'unbalanced growth' of a certain kind will also be in for disappointment. A built-in depressor will set to work. The rate of economic development will remain barely ahead of the rate of population growth, and often fall short of it. Aberrations there will be. Bumber harvests will create an *ersatz* impression of relative affluence. In years of crop failure, famine will stalk the land. This apart, it will be a ding-dong existence for the nation, almost an asymptomatic existence — death will appear to be imminent, but, somehow, that critical fate will always be avoided.

Such a life is not worth living, sticklers for a zanier style may conclude. If one loses faith in the capability of the Opposition to lift the polity and the economy from this morass, what however does one do — except perhaps hope that contradictions would develop within the ruling coalition itself, thus paving the way for an explosion? Speculation is free.

May Contradictions Sharpen ...

The present arrangement between the landlords and the urban bourgeoisie could, for example, one day break down in case the difference in the rates of profit-taking starts to widen as between the two classes: If the rich farmers settle down to enjoying a clear rate of return of as much as 100 per cent and beyond, while the manufacturing capitalists cannot really make beyond 20 to 25 per cent on their capital and even so are laden with the major share of the tax burden, there could be a proliferation of envy, which could then act as a great liberating force. Or, who knows, the present organic link between the mercantile bourgeoisie and the manufacturing bourgeoisie could snap in course of time. For some more years, a leading functionary of the Indian Cotton Mills' Federation may continue to have a younger brother installed as a key decision-maker in the East India Cotton Association, and a nephew of both could be one of the principal office-bearers of the Gujarat Co-operative Cotton Growers' Society. But brothers marry and raise families; the progeny in their turn rear their own families; sooner or later, their interests may cease to converge. Or the game of handing out interminable subsidies to each and every constituent of the ruling coalition could lead to such chaos in fiscal and monetary management — and to such intense suffering for the poor — that the process of production itself may be in danger of coming to a total halt; labourers on the farms and in the factories may begin to walk out of their jobs: beyond a point, the police and the military may be unable to force them back to work, or alternatively, may be unable to perform these jobs on their own.

Even the ruling junta might be realising that it is later than they had thought a while ago. Which is why, it could be said, procurement prices for rice and paddy were not this time rais-

ed to the extent demanded by the kulaks. A fear could be developing that, operationally, the system might soon become non-feasible. But you never know. If there are enough foreign friends to bail one out, one could — and indefinitely — continue cheating destiny.

Bricks Today, Not Tomorrow

To take a hoity-toity line in relation to, for example, Jayaprakash Narayan's entrances and exits may be good, clean snobbery, but what have *they* to offer instead? Rousing a critical minimum of class consciousness among the peasantry and the working class has been the staple agenda of action for middle-class partisans of the Left. This was so circa 1947, and remains so in 1974. They have hardly made much headway in the task, largely because — one is now more or less convinced — they have been bereft of both the necessary talent and the necessary will. They now present a sorry spectacle, this great army of the unemployed, the immobilised, Left. It is immobilised because, to repeat, it decided to build present factories with future bricks; it however considered it *infra dig* to study the technology of brick-building. Peasants and workers were sought to be sustained with slogans. That did not click. At the next stage, they were sought to be dazzled by mail-order gifts. In this sphere, however, of late there is stiff competition and the Left has been easily pushed out by those who can offer more. The Left is now nearly without a profession. For sheer survival, it will have to return to hard-core brick-building. It is a chore *sans* glamour, and calls for much back-breaking labour. But what else did the Left expect? A revolution hardly ever drops like manna from heaven.

FROM OUR CORRESPONDENTS

JUTE

Untenable Asymmetry

THE chaos in economic policy-making could not have been more vividly illustrated than in the arrangements made during the past fortnight for the purchase of raw jute. Last year, there was a bumper crop. Prices had sagged in the market and primary producers had an extremely raw deal as the Jute Corporation of India failed to lift the fibre in adequate quantities. In addition, large-scale smuggling across the border from Bangladesh — it was openly alleged — had resulted in poor offtake of indigenous jute. The disappointment experienced by the growers in the last season has contributed this year to a certain shrinkage in the acreage — away from jute and to paddy — though the order of decline is difficult to gauge at this stage. Because of the vagaries of the weather, the current jute crop would in any case have been lower than that in the last season; the drop in acreage has made the crop smaller still.

This assessment of the current year's crop contributed to a stiffening of the jute prices as the jute season commenced in August. Even primary growers benefited for a number of weeks from the improvement in prices. The peak of the marketing season is yet to come. The jute growers were looking forward to a sizeable augmentation of their earnings. With foodgrain prices sky-rocketing, this rise in earnings would have barely compensated them for their increased cost of living. But suddenly all kinds of news were set afloat.

First, reports filtered in from Bombay that the Reserve Bank of India had gone back on its earlier commitment to arrange for bank advances of some Rs 40 crores to the Jute Corporation for purchase of jute fibre. The ceiling of advances was supposed to be down to Rs 20 crores, and subsequently further down to Rs 17 crores, for the entire season. Simultaneously, another news item suggested that the Ministry of Commerce had issued instructions to the Jute Commissioner asking him to ensure that individual mills did not buy more than three months' requirements of fibre. The Ministry, it was made to appear, was afflicted by a bout of instant egalitarianism: in case the big mills, who have greater financial clout, began to buy up most of the jute, the small units would find themselves preempted in the subsequent part of the season, so the Ministry's orders (it was explained) were intended to forestall such a plight overtaking the weaker mills. Another story, which began to circulate at about the same time, however, had it that the Ministry was merely following the advice of the Indian Jute Mills Association: no doubt, the Association for its own evident reasons was most anxious to cool the fibre market.

For three days the reports were not contradicted by any quarters. Purchases abruptly eased off in the centres up and down the eastern states, and there was a drop of around 20 per cent in the raw jute prices. Pressure was mounted on the government of West Bengal by peasant organisations and political parties. Following hasty exchanges between New Delhi and Calcutta, the Jute Commissioner was authorised to issue a statement denying that any formal orders had been sent to the mills asking them not to purchase the fibre beyond the three months' requirements. It was even privately pointed out that, though there was such an informal communication from the Ministry of Commerce to the Jute Commissioner, the communication was not finally transmitted to the jute mills; that, therefore, no harm was done. One reason for the official concern about the 'hotting up' of the jute market, it was hinted, was that the big mills could make this the alibi for demanding enlarged credit from the banks; and since there was no assurance of such credit being in fact used to purchase the fibre from the growers here, it might actually be diverted to corner rice stocks used to finance the smuggling of jute from across the border.

Bearish Impact on Prices

This is no straightforward situation. On the face of it, a slowdown in purchases would affect the price of raw jute and, to that extent, affect the earnings of the primary producers. But even were there no formal orders from the government, and banks were allowed to continue their advances to the mills, ostensibly to purchase of raw jute, there would still be no guarantee that such advances would be actually used for the purpose. There are ways and ways in which such advances could disappear within the labyrinth of the marketing operations. The fact remains that the rumours did have a bearish impact on jute prices. Also, on many occasions in the past, press notes issued by the Ministry of Commerce on the price policy for jute and cotton bore strong resemblances to texts of memoranda earlier submitted to the Ministry by the Indian Jute Mills Association and the Indian Cotton Mills Federation, respectively. Someone evidently did try to take the Ministry of Commerce for a ride.

Had there been greater co-ordination among the different levels of administration, and if the operations of the Jute Corporation of India were effective in reaching down to the primary producers, none of this would have mattered. For, the bank credit could have then been channelled, in near entirety, through the Corporation and its quantity liberalised. There would also have been the assurance that the credit would serve the objective of raising the income level of the poorest strata of farmers. The story of jute in this sense is no different from the story of cotton or oilseeds or foodgrains. But while in the case of cotton, oilseeds, and foodgrains, it is somehow always officially ensured that market prices do not come down, a different attitude gets reflected in government decision-making on jute.

This simply cannot be because the price of raw jute has implications for the country's foreign exchange earnings. These implications hold no less for cotton. The major difference must lie in the fact that the cultivation of jute is still, by and large, carried on by small peasants, who do not constitute a powerful enough political lobby. This is, therefore, the only commodity whose market price the authorities can permit to fall with equanimity. There is also the other fact that, while the government can easily persuade the mills not to purchase stocks beyond three months' requirements, official capability visibly caves in in the reverse situation: i e, when the mills ought to be ordered to purchase greater quantities so as to prevent a fall in the market price. Where it is a question of offering support to the weak and unorganised, the government's sense of symmetry collapses.

INDUSTRIAL FINANCE

In Blinkers

THE Industrial Development Bank of India (IDBI) the country's apex development financial institution, has just published its Annual Report for 1973-74, the tenth year of its operations. The Report contains a mass of data on industrial production, covering aggregate as well as group-wise trends in output, capacity utilisation, capacity-creation, and the like. What is missing, however, is a perspective of industrial development. For instance, after one has read the section titled 'Trends in Industrial Production', one is none the wiser about what has gone wrong with industrial growth in the country, what are the priorities for the industrial sector, what are the areas in which the IDBI and other term-lending institutions will encourage expansion of capacity in the coming years and other similar questions. If the IDBI had worked out its priorities clearly, it would not be doing what it is — financing every project for which assistance is sought. That is why so many breweries and luxury hotels figure among the projects financed by it. IDBI and the other term-financing institutions cannot argue that industrial priorities can be left to the licensing authorities. For one thing, many industries, including breweries hotels, do not fall within the licensing net; that apart, industrialists are able to get over the licensing hurdle in many ways. The development financing institutions cannot, therefore, take a cavalier attitude to the question of priorities. Their funds are, after all, of a created variety, depending as they do on the Reserve Bank and on the government. Therefore, just because the projects are few and there are no financial constraints on them, the financial institutions cannot afford to finance every project which comes along.

Few industrial projects can come up today in the private sector unless over 60 per cent of its cost is financed by the term-lending institutions. The data given in the IDBI's Report reveal that loans formed about 68.4 per cent of the total cost of projects, or Rs 182 crores out of Rs 266 crores. A part of the loans may be provided by sources other than the term-lending institutions, but the bulk of them come from the public financial institutions. It is time the IDBI asked itself whether this was the purpose for which the term-lending institutions were created. If, instead, these institutions widened their net and together gave not more than one-third of the project cost on average, they might help to trigger a much larger quantum of industrial investment in the country. However, we find the IDBI exulting over the fact that in the Fourth Plan assistance provided by the term-financing institutions represented 30 per cent of the estimated private sector investment in the industrial sector compared to only 19 per cent during the period of the so-called Annual Plans.

So far, 77 per cent of the assistance sanctioned by IDBI has gone to projects of Rs 5 crores and above. It may be claimed that this is because the IDBI is the apex financial institution. But this is equally true of the other all-India development financing institutions as well. As a result of such easy availability of financial assistance, with nearly two-thirds coming by way of loans from public financial institutions, the capital structure of industries has got distorted. For the same reason, the capital intensity of assisted projects has gone up and labour used per unit of net value has declined steeply — from 723 persons per Rs 1 crore in 1970 to 523 persons per Rs 1 crore in 1973.

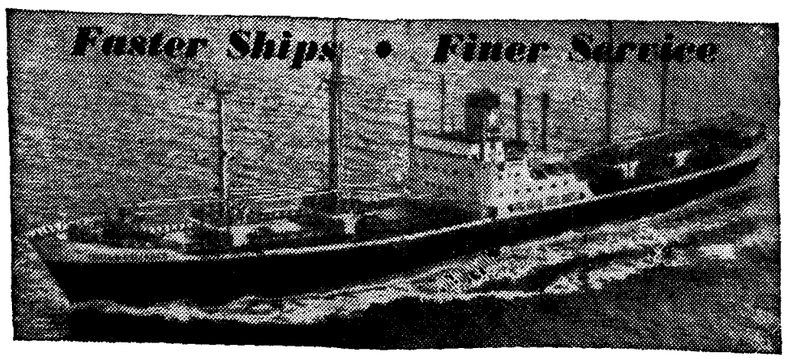
The IDBI's narrow perspective is brought out by the fact that even when it talks of the prospects for 1974-75, it can only say that "IDBI's disbursements will show a good rise during 1974-75". But what is the rationale of this rise in disbursements — or of that which took place in 1973-74? It is well known that in 1973-74 there was a substantial fall in the volume of capital raised by companies through shares and debentures. Also, retained earnings of companies declined, possibly by 25 to 33 per cent. What, then, was the basis of the expansion in the term-lending institutions' operations?

Overall investment in the private sector is unlikely to have been much higher in 1973-74 than in the previous year. Yet the disbursements of all the term-lending institutions together increased from Rs 199 crores in 1972-73 to Rs 274 crores in 1973-74, or by 38 per cent; their sanctions likewise increased from Rs 296 crores to Rs 429 crores, or by 45 per cent. This suggests, first, that the larger industrialists have further increased their dependence on loan capital from the public financing institutions. Secondly, there is reason to believe that funds from the term-lending institutions have been substituted for bank finance for working capital purposes. There is considerable circumstantial evidence to support this view. First, almost the entire increase in assistance disbursed during 1973-74 was on account of rupee loans which rose by 52 per cent; foreign currency loans, on the other hand, declined by 8.7 per cent. If there were investment programmes being effectively implemented, commensurate with the rise in the term-financing institutions' disbursements, how could disbursement of foreign currency loans have declined despite larger commitments having been made in the

previous year? Second, the IDBI achieved its best performance in terms of sanctions and disbursements during the year under the bills rediscounting scheme. And, as its Annual Report itself says, the facilities under this scheme "were being availed of on an increasing scale by state electricity boards and state road transport corporations for purposes of expansion and modernisation". A good deal of this assistance was thus in the nature of substitution of finance from budgetary sources. In other words, the term-lending institutions appear to have become a source of finance for the private sector faced with a credit squeeze by the commercial banks and for public sector undertakings faced with a resources constraint in the Central and state budgets. Lastly, the IDBI's annual report itself admits that a part of the increase in export credit extended by the IDBI occurred because banks were in a tight position. If the term-financing institutions have provided funds to substitute for bank finance, the Reserve Bank itself could be said to be conniving with such arrangements. It agreed to lend to the IDBI, for the first time, Rs 20 crores against bills rediscounted by the IDBI.

The IDBI's Report makes much of the increase in assistance to units located in backward areas/districts on concessional terms. About 46 per cent of the total direct assistance in 1973-74 was of this type. However, considering that over two-thirds of the districts in the country have been designated as backward, this is no startling achievement. The region-wise distribution of IDBI's assistance does not bear out its claim to be concerned about the development of backward areas. In 1973-74, about 70 per cent of the assistance sanctioned in the eastern region was for projects in areas other than those specified as backward, despite the fact that almost the entire region has been designated backward. This proportion was not very different for the other regions: it was 78 per cent for the western region and 69 per cent for the northern region. Only in the southern region was the proportion 56 per cent.

Yet another disquieting aspect of the IDBI's operations is the encouragement given to so-called joint sector projects which have, it is well known, become covers for the entry of large industrial houses into non-priority areas with the the connivance of the state industrial development corporations. IDBI has increased its assistance to such joint sector projects very sharply. In 1973-74, for instance, 40 per cent and in the previous year as much as 49 per cent of its direct project assistance was for such projects. The IDBI does not seem to be having any clear policy premises in regard to the encouragement of joint sector projects. Nor does it seem to have any clear ideas about their control and management.



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MAHARASHTRA

The Violence of Orderly Change

Anil Awachat

BABHULGAON is a small village, some six miles away from Latur town in district Osmanabad. On July 18, 1974 four men and a woman were returning to Babhulgaon from Latur, at about 10 in the night. The men were brothers and the woman, Mainabai was their sister. They were caste Hindus and belonged to a family of Shinde — Sangvikars. A little away from the village, they were allegedly attacked by a band of highwaymen, who robbed the sister of ornaments and money. The Shinde-Sangvikars managed to escape and on reaching Babhulgaon told the villagers about the incident. Some sixty men then went out looking for the highwaymen and on finding four scheduled caste Matangs there — whom they took to be the culprits — attacked them, killing Limba Rahaba and Bhiva Limba and seriously wounding Nivrutti Raghunath. The fourth Matang, Keraba Hussain, managed to run away. The bodies of Limba and Bhiva were savagely mauled.

This correspondent visited the village recently. As we neared the village, we noticed two newly constructed buildings — the school and the co-operative society's godown. A little further on were visible two clusters of huts, belonging to Mosan Jogis (a mendicant community) and Muslims. Beyond these clusters is an open yard in which stand a veterinary dispensary and a couple of offices. A number of small roads lead to different parts of the village from here. The little road on the left leads to the hundred-odd huts belonging to the Matang community, which cluster around a community 'building'. The other road across the yard leads to houses built of stone and mud; the prominent among them has a stone and mud turret with a window in it. This is the house of the Shinde-Sangvikars. The neighbouring house is also big and here the police patil lives.

We asked Nivrutti Raghunath to take us to the place where the atrocity was committed. There, on the heath, Nivrutti gave us his version of what had happened. "A Matang called Eknath died that morning. We buried him in the afternoon and then some of us started for Latur. Keraba was carrying animal bones which he had dug up — he sells animal bones to earn his living — and he had his pick-axe with him. I carried an axe with me; I was looking for wood. Bhiva is a coolie in a grocer's shop in Latur, and he wanted to borrow some money from his employer. We started back for the village at about 9 in the night. Limba suffers from nightblindness, so I was leading him by the hand. When we had come near the shrubs, we were surrounded by several persons who flashed torches in our faces. They singled out Limba and Bhiva in the attack. Keraba was trailing us. He must have taken to his heels as soon as he realised what was happening. The attackers had axes, lead balls and sticks. I heard Limba give out one agonised, heart-rending cry and then suddenly go silent. Bhiva and I were crying out for help. After some time I lost consciousness. When I came to in the morning, the Matangs from the village had gathered around us. A little later the police came. They took me to a dispensary in a truck, and there they took down a statement from me. I named eleven of the attackers in my statement."

We went to the Matangs' huts. Limba's father, Ravaba, aged 70, met us. Bhiva's mother stood near him, holding two of Bhiva's children. Bhiva had left eight children behind him. At the mention of Bhiva's name, she began to weep. Bhiva's two wives and Limba's wife were out collecting grass.

Ravaba told us that they had heard about the event in the morning, when someone came shouting about murder. They had hurried to the spot to find his son lying dead on the bed of a stream. His arms and legs were broken. Blows on the face had pushed the eyes out of their sockets. In the back, just above the waist, there was a deep wound. The clothes were drenched in blood. Limba's wives, his son, and his father had carried his body home.

Bhiva's mother had reached the spot to find her son still groaning with pain, his arms and legs crushed and his whole body covered with wounds. His dhoti had come off. She had put his head in her lap and had tried to speak to him. The constable would not allow her to give water to her dying son, though Bhiva was asking for water from time to time, because the constable said the headman (Patil) had told him not to allow anyone near the bodies. The police force came later in the morning. Earlier, Bhiva's wife had hurried on to Latur police station to inform the police and get help. The constable at the station shouted at her and pointed to Limbau Patil who had been sitting in the police station since one o'clock in the morning. When she beseeched him to bring her dying husband to Latur town so that his life might yet be saved he scolded her for interfering with their work procedure: the police, he said, could not start until all the formalities were completed. She had returned to Babhulgaon to find that her husband was already dead.

Some Matangs claimed that the trouble had started with the outcome of the grampanchayat elections; they had been threatened even before the elections, but the atmosphere had grown more tense since then. There are two factions in the village: 'Deshmukh' and 'Mule'. Most of the Shinde-Sangvikars belong to the Mule faction. Mules had controlled the grampanchayat for nearly 20 years. Recently, two Deshmukh boys had returned to the village after finishing their education in Poona. The Matangs had voted for them in the last grampanchayat elections, and they were elected. Evidently, 300 Matangs in a total of 1,500 voters had made a crucial difference to the outcome. Deshmukhs had then helped Limba to get a licence for opening a ration shop in the village. The Marathas in the village had not liked this gesture. The untouchables, who had for centuries lived under the patronage of the Marathas; now getting to be shopkeepers: There are, of course, two shops in the village — one where the high-caste Hindus live and another where the Matangs and a number of Marathas live.

Another view is that the recent attack was a revenge for some past murder. Twelve years ago a man named Kisan Burule, a Maratha, was murdered by some Matangs in the village. Village reports are that those who had wanted to get rid of Burule had employed Matangs to do the job. Matangs, forever impoverished, had undertaken the 'execution', on promise of reward of land and having their dependents looked after while they themselves were in jail. Burule was thus murdered; eight Matangs were found guilty and given life imprisonment. Some of them had recently returned to the village, to find that the promises to them had not been kept

and the families of each one of them was in ruins. Limba had been something of a leader among Matangs apart from having been elected to the grampanchayat. After the convicted Matangs had returned to the village, Limba had started to accuse the Marathas of having used and cheated the Matangs. Limba had thus made himself very unpopular with the other powerful castes.

Besides, the reports of the attack on the Shinde-Sangvikar brothers and their sister appeared less and less credible. Thus Mainabai, the sister, recalled that it was 'Nagpanchami', so her brothers had come to her husband's village to take her home with him. Because of the ST strike they managed to reach Latur only in the evening. There they had met the remaining brothers and had started for Babhulgaon on bicycles. When they were approaching the village, they were attacked by a gang of highwaymen who flashed torches in their faces and spoke Hindi. They tried to snatch the gold chain from around her neck; while her brothers struggled with them, she ran to the village and recounted the occurrence. The police patil collected some people from the village and proceeded to the place where the attack had taken place.

A Muslim girl, Mumtaz, had met Mainabai in Latur at about eight and suggested that they all go together. But her brothers had said that they were in a hurry. Mumtaz followed them a little later in other company. When they passed the spot, she claims, they heard and saw nothing. There was no crowd, there were no wounded persons. They reached the village and, a little later, heard a commotion. About fifty persons with torches, sticks, etc. were going towards the heath.

An old man living next to Shinde told us: "Mainabai did not run to the village alone; she and Hariba came together. He was gasping; and flinging his bicycle away he whispered something about highwaymen on the heath. The villagers then rushed to the spot with whatever weapons they could lay their hands on.

As Limbau Patil had figured prominently in every account, we met him. A suave man, started with a rosy account of how the village was free of strife. His version was that Nagu Shinde had awakened him at about 11.30 in the night and told him of the attack on them. He had sent for the local constable, Raghu Kalal, and some four of them had gone down the road. A crowd of about 150 had already gathered there. He had asked the constable to guard the bodies and then gone to the Latur police station, at about half past two in the morning, taking the four Shinde brothers with him. The police — a couple of constables — then started from Latur for Babhulgaon. We asked whether Bhiva was still alive when he had left for Latur in the early hours of the morning. Limbau Patil said: "I don't think so — not likely at all". We asked whether the 'highwaymen' version was a made-up story. His reply was: "I couldn't say".

Raghu Kalal, the constable, unaware of Limbau Patil's tale corroborated only part of it when we met him. He said he had gone to the heath because Patil had called for him.

"How many persons were there at the time?"
"Only the four Shinde-Sangvikars, That's all."
"No crowd?". "No."

Limbau Patil was visibly upset, but could say nothing to Kalal in our presence. Kalal continued: "Limbau Patil went to Latur leaving me with the dead and the wounded. Nivrutti and Bhiva groaned from time to time. After the panchanama, Nivrutti, who was quite conscious now, was sent to Latur".

Why did Limbau Patil say there was a crowd on the heath? Was he trying to cover up for the Shinde-Sangvikar brothers? Was he trying to make out that the mob had murdered the Matangs and that this was no premeditated attack? During the attack, as purported by the four brothers, they were unarmed. By Nivrutti's tale, the Matangs had axes. Yet the brothers were unhurt while the Matangs were dead. Police investigation and procedure also leaves much to be explained. While Nivrutti claims to have named 11 persons only the four Shinde-Sangvikars were taken into custody as against eight Matangs. Bhiva's mother's statement was not recorded. That Bhiva was alive in the morning is an inconvenient truth which must be officially hidden. We learnt that a doctor, going from Latur to Babhulgaon at about five o'clock in the morning, had seen Bhiva and said he might survive if immediately removed to Latur. The doctor did not treat Bhiva, for it was a police case. The police are obviously trying to prove that this was a case of robbery leading to murder and their efforts are therefore aimed to show that the assault by the highwaymen and the murders occurred at about the same time. The Matangs could not even secure the services of a suitable lawyer. A lawyer, who is also a Socialist party worker, refused to accept the case because it affected his position in Babhulgaon. Another lawyer demanded his fees before he would look into the case.

Meanwhile, the families of the arrested Matangs have been rendered destitute. The women were not permitted to cut grass from the fields, which are owned by the Marathas. Bhiva was a coolie in a shop owned by ex-Minister for Co-operative Department, Keshavrao Sonavane, but no help has been extended to help Bhiva's family.

We decided to meet Vilasrao and Dilip Deshmukh, to whom the Matang vote had made a lot of difference at the polls. Vilasrao Deshmukh, sarpanch, owner of about 250 to 300 acres of land, told us that though the other party had let loose a reign of terror the Matangs had voted for the Deshmukhs out of 'loyalty to the family.' Nevertheless, he said he was helpless to assist the families of the victims because of 'tension in the village'. He did not even dare attend Limba's funeral — though Limba was an elected member of the Panchayat and had supported him. His rival, Bhagwan Deshmukh, told us that Vilasrao and his family owned about 1,100 acres of land, much of which had to be surrendered under the Land Ceiling Act. The land that the family owns at present is still in excess of the ceiling. Deshmukh, therefore, would have to be in the good books of the Patil and other revenue officials of the village.

This was not the first instance either of the Matangs being attacked by the caste Hindus. We learned that the son of a Matang was beaten up by some Marathas. His father, Vithal, had gone to them and said that they should have heaten him and not the boy who could not defend himself. The Marathas promptly attacked him the following day and almost killed him. Vithal now hobbles about on crutches. A few more instances of this sort were also reported. The police Patil forms, on such occasions, the crucial link between the villagers and the police.

The worst sufferers in the struggle for power among the caste Hindus are thus the untouchables. Both factions need their support at the elections and for crime. The untouchables, also the poorest in the village, cannot refuse the local politicians, who are also the land owners and employers. I said to a Patil: "Why should the untouchables be the scapegoats in your power struggle?" He laughed and said: "These are the rules of the game. The ammies fight, kings and generals don't".

NORTH

Priority to Power, too Late

SINCE 1968-69, the people of Punjab and Haryana have become all too familiar with the consequences of a power shortage. This year, however, the shortage has been critical. The urban areas have suffered as much as the rural areas. Industry has been subjected to major cuts, of between 50 and 75 per cent. As a result, production has received a severe setback, and thousands of workers have been laid off. Because of the diesel shortage, some of the industries' own generating sets could also not work to full capacity. Agricultural operations in this region have been greatly hampered too, and had power not been diverted here from Delhi, Rajasthan, and J and K, as also from the urban centres of Punjab and Haryana, so as to keep the tubewells and pumping sets running for at least 6 to 8 hours daily, a major portion of the kharif crop would have had to be written off.

The state's revenues are bound to be depressed as a result. But it needs to be underlined that the crisis is the cumulative result of several adverse factors — not all of them natural ones. One cause of the crisis is, of course, the inadequate melting of the Himalayan snows and the failure of the monsoon, both in the hilly catchment areas of Bhakra as well as in the plains: This year, in fact, has been more dry than any other in two decades. But to these natural causes have been added unpardonable human ones: Delays in the execution of both hydel and thermal projects — with which the total power output was belatedly sought to be supplemented in order to reduce the gap in supply — have finally sealed the power situation.

The power deficit estimated for 1973-74 was 450 MW. Few had anticipated the soaring demand of both industry and agriculture. Demand has been rising at 15 per cent, annually. The planners had relied almost exclusively on the Bhakra hydel system — for upto 80 per cent of the power needs of Punjab and Haryana. Bhakra's total power potential rose by stages to 1,050 MW. Every passing year has exposed weaknesses of excessive dependence on Bhakra.

Punjab has a well-developed irrigation system, too. It has about 75 per cent of its area under irrigation, as against the all-India average of about 25 per cent. But while it would seem that this state is therefore not so dependent on the monsoon, with nearly 18 lakh acres of the 29 lakh acres of irrigated land being fed by tubewells, the reliance even for irrigation on the power supply is great. And power has been dependent on the monsoon and is getting ever more scarce.

Meanwhile, the demand for power has got a further boost as a result of the increasing connections given by the State Elecricity Board. The domestic connections have nearly doubled (from 418,660 to 799,735) between March 31, 1967 and December 31, 1973. During the same period, tubewell connections have increased by 400 per cent, from 31,876 to 122,453. But only now have realistic projections of the demand for power been attempted — the estimate being 800 MW for 1974-75 and 2,818 MW for 1983-84.

Power shortfalls will continue for a long time, because of the time-lag between projection and investment and between investment and generation. Ambitious plans have been drawn up for power generation during the Fifth Plan. The Plan's provision for power generation in Punjab is impressive enough at Rs 342 crores, for generation, distribution, rural electrification, etc. In fact, top priority is now being given to power generation. The Electricity Board's programme includes establishment of diesel sets with total installed capacity of 50.76 MW, renovation of the existing machines at Shanan Power House (at Jogindernagar, HP) after completing which the capacity would increase from 36 to 60 MW, completion of the Bhatinda thermal plant of which the first unit is being commissioned this month (capacity power production 110 MW) and the second is to be completed next year. There are long-term projects too, such as the Thein Dam for which the Punjab Government has been unsuccessfully pressing with the Centre and the Shahpur-Kandi project (installed capacity 94 MW). They are plans to exploit the hydro-electric potential of Himachal Pradesh and Jammu and Kashmir in collaboration with the governments of those states. At the same time, the Bhakra hydel system is to be backed with thermal, and if possible nuclear, power.

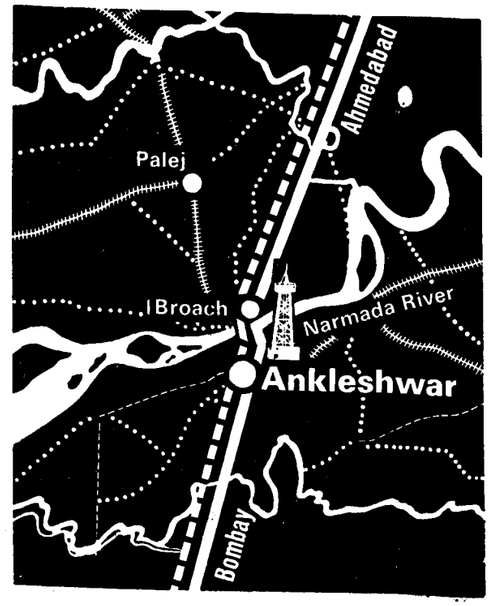
The tragedy of Bhakra, nevertheless, stands at the centre of the stage. This year, the inflows into the reservoir (Govind Sagar) were very poor, the water level dropping to 1,588 feet on September 30 — the lowest since the commissioning of the project. Siltation has been rapid, which has not only reduced the storage capacity and hence the generation potential of Bhakra but has also reduced its life-span by half or even more. In fact, when the Bhakra complex completed its first decade in October 1973, the reservoir was found to have already lost nearly 14 per cent of its storage capacity because of the silt. Bhakra officials do not concede this and contend that actually power generation at the Bhakra complex has been greater than the initial estimates (5,916 MU in 1973-74 against the original estimate of 4,000 MU). The Bhakra Board contends that silt-clearance operations have always been going on and that the dam's life-span is unaffected. They even claim that, at the present siltation rate, the life-span of Bhakra would be 780 years against the wide-ranging life-estimate of 550 to 730 years arrived at in the original Project Report.

In Haryana, the power position has been much worse all these years, and the state has had to depend on outside sources for its fast-growing energy needs. Haryana's per capita power consumption has risen from 57 kwh in 1967-68 to 119 kwh in 1972-73. The 100 per cent rural electrification programme which was completed in record time to attain another 'first' in the country, and the 550 per cent growth in tubewells since 1966-67, led to mounting demand as also to considerable transmission-line losses. The state's major power project is now coming up at Faridabad (62.5 MW capacity), but for very many years the state will continue to depend on Bhakra, Delhi, and Rajasthan. The minor power projects drawn up for the state will only marginally improve the situation.

Thus prospects of an early solution to the northern region's power crisis are remote. During his recent visit to the North, K C Pant, Union Minister

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for Irrigation and Power, stated that a network of hydel and thermal power stations was being constructed, and that the power so generated would be interlinked with a common grid system to provide electricity to the northern states. While laying the foundationstone the 690 mgw hydel project at Salal, near Jammu, the Minister said the power projects "were being speeded up on a 'priority' basis. Generation of additional power will be slow in coming, however, and the rise in demand is meanwhile very high. Costs of the various projects have gone up manifold: the estimate for the Salal project itself has increased from Rs 55 crores to Rs 113 crores. The same is true of the Thein Dam, the Sutlej-Beas Link, and other such projects. The 'priority' to power, in fact, should have been accorded several years ago.

CALCUTTA

'Dramatic' Happenings

M B

"MYSTERIOUS Death of Young Man" was the caption given by *Hindustan Standard* to its staff reporter's report in its issue of July 21 on the incident of the previous afternoon at Curzon Park — so movingly written about by AM in his Calcutta Diary of September 7. According to the report, "the death of the youth remains a mystery and the police have started a thorough enquiry into the matter". The reporter added, "it is gathered quite a few extremists were in the crowd" and "the police denied that there was any lathi charge and as such the youth could not have died of lathi charge". The mystery of a young man dying while watching an open-air dramatic performance was, it appears, cleared up at the post-mortem. A rib or two was broken and the back of the skull was crushed, but what had actually killed Prabir Datta was the misbehaviour of his oesophagus which erroneously brought the food he had taken in the morning up the wrong lane to choke his windpipe. The post-mortem report should make interesting reading, indeed.

Meanwhile, the actor-director of Silhouette, the group putting up the play, and an assortment of actors and theatre workers were arrested from among the scampering crowd in the Esplanade area, even as Prabir was choking to his mysterious death. Presumably they were the "extremists" who, the *Hindustan Standard* report had "gathered", were among the crowd watching the play.

A letter addressed to the chairman of the Sangeet Natak Akademi by, among others, five Sangeet Natak Akademi award winners and one recipient of the President's Gold Medal for the best feature film, has alleged that the attack by the police on the theatre performance at Curzon Park was "a pre-planned brutal attack. And Prabir Datta, a regular spectator of their plays, was beaten to death on the spot. Plain-clothes policemen rounded up Bir Sen, the playwright-director of Silhouette, Prabir Chowdhury, their leading actor, and many others of different theatre groups". The letter added, "The West Bengal and Calcutta Police seem to consider theatre itself a non-bailable crime and they can go to the length of killing to punish the theatre." In their replies the chairman of the Sangeet Natak Akademi, K P S Menon, expressed his shock at the incident and, as quoted in *Blitz* September 7, the vice-chairman, P L Deshpande, said, "never in my life of 50 years have I heard of anything like this happening to the performing artistes in the country".

On August 3 a convention was held at the University Institute. As reported in the *Amrita Bazar Patrika* of August 4, it was convened by a group of renowned dramatists including Utpal Dutt, Ajitesh Bannerji, Badal Sarkar and Mohit Chatterjee and was presided over by Mrinal Sen. "Addressing the convention", the report goes on, "Mr Dutt alleged that the government had been desperately trying to throttle the voice of criticism. Dr Ashok Mitra called upon the people with different political views to write to counter attacks on their democratic rights. Soumitra Chatterjee, a noted film actor, suggested that a concrete programme should be taken to fight police interference in the performance of dramas and public shows."

In the resolution adopted at the convention it was stated, *inter alia*, that what had happened at Curzon Park on July 20 was not an isolated incident; it was one of many such incidents, and was part of a general onslaught on the people's democratic rights. The resolution mentioned that one of the general secretaries of the ruling party had recently said that not one of the 65,000 false cases lodged against poor peasants in the state had been withdrawn; further, a Congress MP had alleged at the Delhi session of the AICC held earlier this year that thousands of young men in West Bengal had been implicated in cases on trumped up charges.

The convention decided to stage a combined open-air performance at Curzon Park. This was done on August 24 before a large crowd. Among other items in the programme, the well known playwright Badal Sarkar produced his play 'Michhil' (Procession).

The reference in the resolution adopted at the convention to the breaking up of Silhouette's play on July 20 not being an isolated incident is not without basis. A few similar recent 'incidents' may be mentioned. At Midnapore a performance of 'Chandni Raat', a Bengali adaptation of Lady Gregory's 'Rising of the Moon', put up by Krishti Sansad, a local group, was broken up by some goons. At Uttarpara, Unit Theatre's production of a play 'Hochhe Ta Ki?' (What Is Happening?) was similarly stopped. At Harinabhi a similar fate overtook the production of a play 'Bhaja Kerasin' (Sing the Praise of Kerosene). These incidents do not appear to have been reported in the wide circulation dailies of Calcutta, which are not exactly famous for their love of Leftist politics or anti-establishment art.

However, they have reported, quite extensively in fact, the happenings around a play by Utpal Dutt. The play 'Dushwapner Nagari' (The Nightmare City) is the latest to be produced by Dutt's group, People's Little Theatre (PLT). Going by the few shows that were put up before playhouses started to back out of commitments to let PLT hire them, the play was immensely popular. Indeed, one of the theatres refused booking by the PLT on the ground that it would create traffic problems.

On August 8 *Hindustan Standard* reported, in connection with the staging of 'Dushwapner Nagari' by PLT on June 12, that "the Calcutta detective police submitted a petition before R K Sharma, Chief Metropolitan Magistrate, Calcutta, on a charge of sedition under section 124A IPC against the organisers of the drama." "It was alleged", the report added, "that the

drama depicted a plan for brutal killing of policemen and others in Calcutta, thereby suggesting in unequivocal terms that such killings in the city, attributed to Naxalites and the Communist Party of India (Marxist), were actually committed by hired goondas at the behest of capitalists and the ruling party of the government. The drama is further alleged to have indicated that the West Bengal government was being exploited by those capitalists with the connivance of the Central government."

A prayer by the petitioner for an interim injunction restraining PLT from producing the play was rejected. The Court is now going through the script of the play and hearing has been adjourned till a date in November.

The action of the police evoked a sharp reaction among artistes and intellectuals of Calcutta. A strongly-worded statement signed, among others, by Mrinal Sen, Badal Sarkar, Bijon Bhattacharjee, Shyamanand Jalan, Torun Roy, Suchitra Mitra and Samar Sen, indignantly asked: "What kind of charges are these? If the Sedition Law is used on such grounds what will remain of the already depleted freedom of the theatre? Thus to speak of hunger and price-rise is sedition in West Bengal today! To attack the criminal millionaires who are starving an entire nation is sedition! To criticise the police and the ruling party is sedition! To speak the truth has become sedition. We may not agree with everything the PLT says in its play, but we shall fight for their right to say so; or else the entire theatre movement will soon be controlled by the police."

Meanwhile, the PLT had managed to get a booking at the Star Theatre, one of the oldest playhouses in the city, for a performance of the play on August 26. A staff reporter of the *Hindustan Standard* filed the following ing report of what happened that evening:

"The staging of 'Dushwapner Nagari", a play directed by Utpal Dutt, at the Star Theatre on Monday was suspended owing to an angry five-hour demonstration by Congress workers.

"Mr Mukul Ghosh, Secretary at People's Little Theatre, the performing unit, alleged that 'a violent and abusive crowd, carrying Congress flags blocked all doors, dragged our staff out and destroyed a part of the sets'. The demonstrators were also alleged to have prevented Dutt and others from entering the theatre and beaten up artistes in the very presence of the police.

"The police, however, denied that anybody was manhandled.

"Mr Dutt said that a big crowd carrying Congress flags had gathered outside the theatre. It hurled abusive language and pushed him and an actress as they tried to go in at about 4.30 p m. All the other members of the troupe were more or less manhandled, according to him.

"The OC, Burtolla Thana, said that members of the North Calcutta Yuba Congress and the Chhatra Parishad staged a demonstration in protest against the staging of the drama which, according to them, was a 'propaganda piece of the CPI(M) and the CPI(ML)'. The demonstrators barred the entry of both artistes and the people who had come to witness the drama. The demonstration was withdrawn at about 8.30 p m. He denied the allegation that Mr Dutt and others were manhandled."

In a largely attended protest meeting held on August 30 a resolution denouncing the vandalism and declaring that "the attack on August 26 on the People's Little Theatre and its play 'Dushwapner Nagari' is a general attack on culture" was adopted. The resolution further stated that "the freedom of violence enjoyed by anti-socials in front of the police on August 26 is an attack on the entire cultural world of West Bengal" and called upon the Chief Minister of the state to punish the guilty. The resolution was signed by representatives of nearly all the important theatre and jatra groups of West Bengal as well as by others.

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OVERSEAS CHINESE

Phase V in Nanyang

Pran Chopra

DURING the centuries of Imperial China, all Chinese, wherever living, were regarded as the inalienable and unviolable children of Mother China. Inalienable because not even they, let alone the countries in which they lived, were considered by China to be competent to question its jurisdiction over them; and unviolable at least during those periods when they could not be pushed around by anyone for fear of China. Especially respectful of this fear were the countries of the South Seas, or of Nanyang as Imperial China had named these waters.

Later on came a very troublesome phase II for the Nanyang Chinese, the years in which the Mother could not protect her children even in her own home against the inequities of the red-faced barbarians, much less protect her overseas family. She could do nothing when, for instance, as punishment for real or imaginary chauvinism, the Chinese in Thailand were harshly put down when at last they lifted up their heads following the defeat of Japan.

The third phase resembled a fight between divorced parents for the custody of their children. The Communists and the Kuomintang fought bitterly for the loyalty of the overseas Chinese, and even more bitterly for their money, much to the bewilderment of the children, especially the Nanyang Chinese because they were closest to the scene.

Phase IV was even worse for them. One parent, Taiwan, was losing out to the other. But the other was also disengaging from them, being too busy with other ideas and problems — such as putting its own house in order, or learning to live with the surprising power nationalism which was showing in the newly-independent Nanyang countries, or discovering friendly governments, not fraternal revolutionaries, among neighbours, or coming to terms with international realities, to which Chou En-lai was already opening the eyes of his colleagues.

Beginning with the Afro-Asian conference at Bandung, where in 1955 Chou En-lai first saw the massed power of Asia's new nationalisms, and more specifically beginning with the Dual Nationality Treaty signed the same year with Indonesia, China began to advise the overseas Chinese, especially the 15 million odd settled in the Nanyang countries, to make peace with their foster parents, the countries where they lived, and become their nationals. But this they found was easier said than done because the foster parents had their own ideas. Conditions were such that the Nanyang Chinese suffered badly in the race riots which occurred in one Southeast Asian country after another from the mid-1950s to the late 1960s. They suffered particularly badly when, because of the Cultural Revolution raging on the mainland, the Chinese overseas again began to be suspected of being chauvinists or communists or both.

During all these four phases few Nanyang Chinese had any choices. They were the passive agents, victims, beneficiaries of decisions made by China, Taiwan or their foster parents. But a new phase which has just begun, heralded by the agreement reached in June this year between Malaysia and China, gives them clear and important options.

Much more clearly than in the Dual Nationality Agreement with Indonesia, which was in any case invalidated by Indonesia in 1969, China has conceded in the agreement with Malaysia that the Chinese who have or may become citizens of Malaysia will altogether cease to be Chinese citizens, and China will have no responsibilities or rights with regard to them; others will remain Chinese citizens with the same privileges as those enjoyed by the citizens of other countries. And further it is agreed, by implication, that those who have not made the choice so far will be freely allowed to make it and, according to an interpretation mostly heard in Singapore, those who have recently made the choice will be allowed to remake it within a reasonable time.

This precedent set by Malaysia will spread. More Southeast Asian countries will recognise China, and the Chinese living in them will get the same options. And the options will be meaningful. Formerly all Chinese were treated as citizens of China whether they liked it or not. For most Nanyang Chinese this meant in the recent decades that, without the compensating advantage of the protection of China — which was too weak to protect them — they had to bear the burden of being mistrusted as foreign nationals. This will no longer be so. Those who opt for China will come under a far stronger protective umbrella than China could hold over them at any time after the glory of Imperial China had departed. Those who opt for remaining with their foster parents will no longer be mistrusted (not on this account at any rate).

An interesting and far-reaching consequence will be that, faced with a meaningful choice for the first time in their lives, all Nanyang Chinese will be sorted out between those who opt for one kind of citizenship from those who opt for the other kind. This makes the fifth phase in Nanyang qualitatively different from the preceding four, and it may gradually resolve the so-called problem of the overseas Chinese in Southeast Asia by enabling some Chinese to go back home and enabling others to stay on, but in conditions more congenial to them and more acceptable to the countries of their residence. Those who consciously adopt the Chinese nationality will obviously also acquire the right to go back, and many may exercise it if their past does not make the prospect unpleasant. But more interesting is the case of those who stay on whether as the nationals of China or as nationals of the countries of their residence.

If Chouism outlives Premier Chou En-lai, as it very well may, China's diplomatic links with the world will grow, and along with them economic links as well; the two go hand-in-hand. China will increasingly emerge on the business, commercial and financial stage of the world, and it will increasingly discover, as Russia did at a comparable stage, that dealing with governments alone is not always enough for profitable dealings with free market economies. It will also have to deal with the private entrepreneur, and it will discover that this dealing is best done through those who understand the local scene and the language of the market. And what better channel can it find for these dealings than those local Chinese who, rich in local experience, superbly versed in this language, may be willing and able to stay on while becoming nationals of China?

China will use them in much the same manner as Germany and Japan would use their nationals if they had them in these parts in similar numbers. The prospect is alluring enough to tilt the balance in favour of China for those Chinese who have yet to make their first or final choice, thus reducing the size of the overseas Chinese 'problem'.

Those who still opt for local nationalities can expect to be rewarded with the inestimable advantage of in-

creased trust. The biggest cross on their backs has been that they have been mistrusted as supporters and sympathisers of foreign inspired causes. It has soured their relations with the local populations and magnified all other barriers between the two, such as the distinctiveness of Chinese culture, the jealousy aroused by the greater prosperity achieved by the immigrant Chinese, and the resentment felt by the Chinese over the increasing restrictions to which they are subjected by local governments mistrustful of their economic power.

But the converse may turn out to be true as well, that the barriers shrink as the mistrust recedes — both because China conducts its relations with other countries more in conventional than revolutionary ways, and because the overseas Chinese opt for local nationalities at a time when the alternative of taking, or reverting to, Chinese nationality has so much to offer.

The barriers will not shrink easily, especially the economic jealousies and the frictions caused by them; if these are to go the governments and the non-Chinese peoples of Southeast Asia, as also of course the Nanyang Chinese themselves, will have to accept more sincerely than so far that on the one hand economic opportunity should be fairly shared among all and on the other hand unfair legacies of the past must be liquidated. But given normal relations between China and Southeast Asia, the chances of the disappearance of this obstinate and old problem will be better than they have been ever before.

THE FOURTH ESTATE

Air Pollution

Nireekshak

DISTORTING news and views while stopping short of outright lying is an art which All India Radio has perfected over the years. What it did with the opinions of K N Raj, the economist, was certainly not the first instance of censorship by the AIR, but it has become a subject of public controversy.

K N Raj participated in a discussion on "How to Tackle Inflation" (recorded in Trivandrum and broadcast from Delhi on June 23) on the assurance from the AIR that there would be no censorship. But when he heard the broadcast he discovered that three sentences had been deleted from what he had said. The deleted sentences were part of his answer to a question whether what he was recommending would not require "strong arm" methods against big landlords and hoarders of foodgrains. Raj replied that what was being advocated was actually not "strong arm methods" and then added that he wondered what moral basis the government had anyway for "passivity" after the "very brutal methods which it had used recently to break the railway strike". This had "demonstrated to everybody that it [the government] was not reluctant to use such [strong-arm] methods". Raj also said: "The dual standards adopted, one for the poorer classes and the other for the richer classes, showed up the class character of this government as never before."

When Raj wrote about the deletion of these sentences to the Prime Minister, she replied that though she could understand officials becoming cautious when faced with strong language, she was against "censorship, even mild forms of it". Neither politicians nor officials should shy away from criticism, she added. But I K Gujral, a Leftist of the pre-Partition vintage, has his own norms about running the AIR zamindari. In a letter to Raj he defended the deletion, asserting that the sentences concerned were a "sweeping indictment" of the government. One does not know if this was a *faux pas* on Gujral's part, resulting from a certain lack of communication between him and the Prime Minister, or whether there is some clever 'division of labour', with Gujral doing the dirty work, while the Prime Minister strikes postures of lofty liberalism for public consumption.

Gujral's AIR recently mis-used a panel discussion at the India International Centre in New Delhi to serve the government's propaganda needs. The discussion had nothing to do with the AIR. It was on "Populist Action and Public Values" and was moderated by a nominated MP. The participants were a journalist, a CPI ideologue, a teacher of German language and a Gandhian worker. The moderator abdicated his role to let the CPI ideologue launch on a tirade against Jaya Prakash Narayan and his movement in Bihar. It suited the AIR to broadcast a very cleverly edited version of the discussion, excluding viewpoints other than those of the CPI ideologue. The question to ask is: how many of the discussions at the India International Centre are covered by the radio and why was such special attention given to this particular one? Anything put out as straight AIR stuff would lack credibility with the listener, while taping a discussion in some other forum and putting out a distorted version of it would yield far greater propaganda mileage. For the same reason, the AIR gets willing journalists from New Delhi's press corps to turn out scripts to order. 'Political commentator' is the euphemism for the unemployed but highly committed journalist who has to be provided some income.

The question whether a working journalist can write for the government-controlled radio and still claim to be free is perhaps a metaphysical one. The AIR defines the limits of safe dissent and there is shrewd anticipation of what needs to be said. If there is any indiscretion the blue pencil is there.

The AIR had a big scoop on October 1 when it interviewed the Prime Minister on the current economic situation. If one remembers right, Indira Gandhi was last interviewed by the AIR in January 1966, on the day she was chosen Prime Minister. After her election, she promised the Press corps frequent meetings. She began with gusto — a press conference and a person-to-person broadcast every month. After a few encounters with the Press, she discovered she did not have much to say and the Press much to ask either. So the institution of the monthly press conference lapsed. As for the broadcasts, they became more and more impersonal because too many hands were shaping the script.

So the Prime Minister's recourse to the AIR and the interview format to air her views on smuggling, hoarding and the food crisis was puzzling. When it was suggested that a press conference would be in order, she ruled it out promptly — perhaps because that might have meant inconvenient questions on the licence scandal, the Bihar situation, etc. Then it was suggested that she should make a speech which would get the maximum coverage. She ruled that out too. An interview with the AIR was the most convenient format in the circumstances. No inconvenient questions would be asked, of course. For instance, many of her statements on the food situation would not have gone unchallenged if the interviewer had not been a government employee.

Arms Race Getting Hotter

World Armaments and Disarmament; SIPRI Year Book, 1974; Almqvist and Wiksell, Stockholm; pp 526; Sw Kr 75.

THE Stockholm International Peace Research Institute is committed to effective disarmament. The Year Books published by the Institute are a massive documentation of the arms race the world over as also a chronicle of the few weak attempts to stop it. The compilers of the Year Book under review have, as usual, done an excellent job in recording the building of arsenals, the flow of arms and the money and brain-power being devoted to developing progressively more horrific military and police weapons which can be used cheaply against unarmed civilian populations as well. New chapters have been added and the focus has been shifted to critically unstable regions like the Middle East. The facts are stunning; they need to be remembered and mulled over.

SIPRI records that world military expenditure is running at $ 207 billion a year, which is over 6 per cent of the gross national product of the world and equal to fully one-third of the combined output of the two billion people living in the world's underdeveloped regions (excluding China). Also, military R and D absorbs $ 20 billion annually and the time and energies of 400,000 scientists and engineers.

The Year Book points out that, while the military spending of the USA, USSR, UK and France has declined from 82 per cent of the world total in 1955 to 70 per cent in 1973, this does not reflect a reduction in the military capabilities of these four countries, but rather indicates the magnitude of the increase in militarisation elsewhere. The arms race has become a global phenomenon. There is growing willingness on the part of countries supplying arms to make their latest conventional weapons available for export. US supplies of F-14s to Iran and the Soviet delivery of MIG 25s to Syria are examples of this trend. In both cases, the most sophisticated aircraft have been committed to export within two years of their entering production.

Another important fact revealed by the Year Book is that US expenditure related to the continuing war in Vietnam was $ 4 billion for the fiscal year 1974 and a similar figure is projected for 1975. Although small in relation to the total military expenditure of the United States, these are still very large outlays in absolute terms; only six countries in the world have total military expenditures that exceed this figure. As SIPRI observes, the magnitude of US spending in South Vietnam reflects the scale of the fighting which continues despite the ceasefire. (The India Press has, of course, forgotten Vietnam.) A clause in the ceasefire agreement permits the replacement of major weapons and ammunition on a one-to-one basis. (Total US expenditure in Vietnam between 1965 and 1973 exceeded $ 140 billion.)

The end of direct US involvement in the war in Indochina may lead to increased proliferation of many of the new weapons is several ways. First, the decline in contracts for the supply of US forces may stimulate American manufactures to seek alternative contracts. Second, a considerable amount of surplus material and ammunitions from Indochina is being given as military assistance or sold (at one-third of cost) to 'friendly' countries. Third, the armed forces of other countries, which are not among the recipients of this bounty, are likely to seek to acquire the new technology or try to locate other sources of supply.

The end of direct involvement does not, however, mean any great decrease in covert American activity in Indochina. The military infrastructure, with its giant air force and communication centres, is retained to service the American presence in South-East Asia as well as to help intensified police activity inside South Vietnam. The USA last year pumped $ 700 million of military aid into little Cambodia, the size of Gujarat.

If the proportion of gross domestic product devoted to military purposes is used as an index, the Middle East has become the most militarised region in the world. The average annual rate of increase of military expenditure in Iran and Saudi Arabia was 23 per cent and this rate is accelerating. Whatever the state of our present relations with Iran, the Israel-Iran nexus cannot be glossed over. Arms in West Asia are apt to bring a wider war closer to our frontiers, whether we like it or not.

A special chapter in the Year Book is devoted to an analysis of the military lessons of the Middle East war. Before and during the war, a number of special orbit picture satellites were sent up by the US and the Soviet Union. The super powers thus had a grand-stand view of the performance of their weapons in combat. The SAM-6, a 6-metre weapon which downed the largest number of Israeli aircraft, was amongst the most important combat systems under observation. Losses of weapons and equipment were so heavy in the war — about one-third of aircraft and one-half of the tanks committed to battle were destroyed — that each side requested and obtained additional supplies within days of the outbreak of the fighting. This was a good example of 'instant rearmament' in the 'instant' world of the affluent! One is not inclined to agree with many of the military lessons of the Middle East war drawn by SIPRI. There are no such things as purely military lessons any more because war is no longer the army's game alone. Political, social and economic factors now dominate the play of military forces on the battlefield.

The editors have made an attempt to broaden the Year Book's canvas by including topics like submarine and anti-submarine warfare, tactical nuclear policies, etc. Here perhaps the SIPRI could include a chapter on developments in electronic warfare.

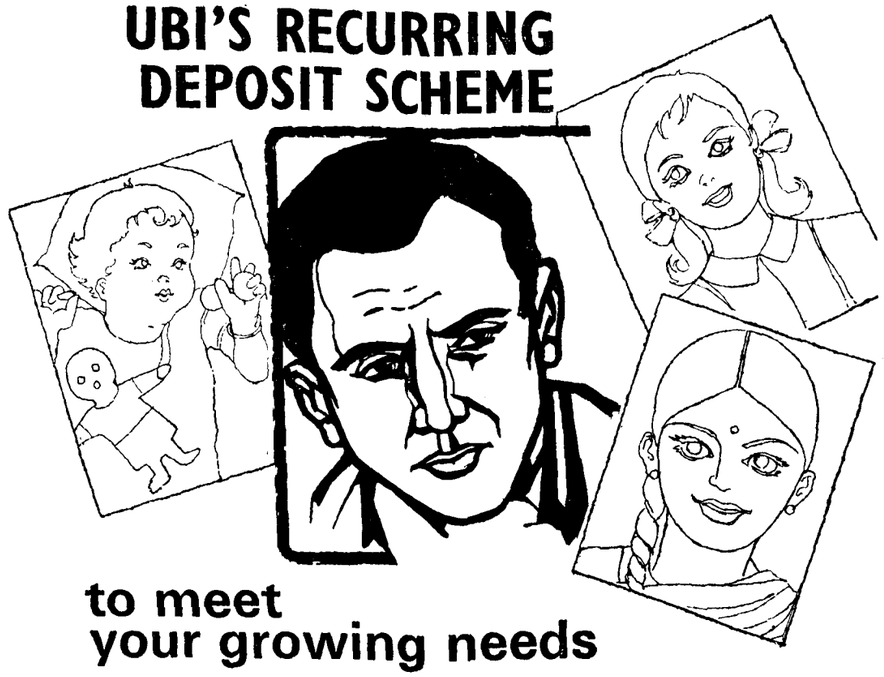
Wherever possible rough estimates and appreciations of China's and Japan's military capabilities have been included this year, as compared to the last edition of the Year Book from which China was excluded. Perhaps a more comprehensive study of China's defensive and offensive capabilities is called for in next year's edition. After all, China is the fourth super power. Its rapidly growing merchant marine and such facts as that the Chinese had the world's third largest fishing catch last year are important pointers to China's determination to be a maritime power. They are reminiscent of the manner in which, after steady and dedicated efforts in the fields of shipping, oceanography and fishing, the Soviet Union burst upon the world as a great maritime power to the surprise of many in the West.

The Year Book sadly acknowledges that while a number of inhuman weapons like high velocity bullets and

fragmentation bombs have gone up to the UN, under Red Cross sponsorship, for banning and are being discussed, no real progress has taken place towards banning of chemical or biological weapons.

The SIPRI says ruefully "no arms control treaty can completely rule out the possibility of evasion; all it can do is to minimise its probability". In a comment on the possession of nuclear weaponry, the Year Book says: "It is doubtful, at least in the long term, that nuclear weapons have had the political utility claimed for them, since their existence has indeed greatly decreased world security and, most particularly, the security of those countries actually having nuclear weapons." Regretfully, few nation states seem to agree with that assessment.

The SIPRI year book remains an indispensable reference work.



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Not Role Conflict, but Social Conflict

Saral Sarkar

Indische Frauen zwischen Patriarchat und Chancengleichheit : Rollenkonflikte studierender und berufstatiger Frauen (Indian Women between Patriarchy and Equality of Opportunities: Role-Conflicts of Studying and Working Women) by Maria Mies: Verlag Anton Hain, 1973; pp ix + 266

A NUMBER of studies on the situation of educated and working middle-class Indian women already exist — as the impressive bibliography of the book under review shows. But Maria Mies has taken up one aspect of the situation — *viz*, the role-conflicts of such women, which arise from their having to play two or more, often conflicting roles: the roles of working women, housewife and mother.

In the first chapter, Mies describes the essential features of the brahmanical social laws relating to women, found in the 'Great Tradition' — i e, in the body of classical Sanskrit literature, consisting of the Vedas, the Upanshads, the two epics, the Puranas, and the Tantras. Mies finds this exposition necessary because the social norms — which, even today, greatly determine the lives of middle-class Indian women — are derived from norms laid down in the Great Tradition. "The older the roles are . . . the more obvious and natural the role-expectations connected with them appear to be, and the more they create the impression of universal validity" (p 19).

The first decisive change in the degrading status of women in India was brought about in the Independence movement, the effects of which Maria Mies deals with in her second chapter. This change came about in three ways: (i) legislation against social evils, (ii) encouragement of women's education, and (iii) large-scale participation of women in the Independence movement. As may be expected, while legislation, except in the instance of the practice of Sati, remained more or less on paper, education of the middle and upper classes (castes) and participation in the Independence movement proceeded rapidly, and generated tremendous enthusiasm among women.

But, Mies argues, despite the success in legislation, education and politics, emancipation of women has not taken place. For, the new ideal of Indian womanhood which was created during the Independence movement chiefly by men, partly out of political necessity, was merely a refurbished version of the same ancient patriarchal ideals of the epics.

And yet, an ever-increasing number of middle-class women are joining institutions of higher education and are working or wanting to work. Of course, lower-class women have always worked. The motivations of the better-off women in this are not only economic, but also non-economic — such as prestige, personality-building, self-realisation, real thirst for knowledge, and independence. Even so, by the very fact that these women are spending a considerable part of their day in activities away from the home, they are violating the main tenets of the ideal, underwritten by tradition and post-Independence establishment, leading them into conflict-situations.

Through several discussions and narrations of life-histories Mies has come to the conclusion that it is not enough — it is even misleading — to state that conflicts arise from incompatible role-expectations. Study of concrete conflict-situations in real life histories shows up the tremendous zeal, energy, and determination with which — and the heavy odds against which — these women are pursuing their 'immediate' goals: education and work. This appreciation is necessary to understand how Indian women react to these conflict-situations.

Mies mentions five different types of reaction situations of women.

(a) Those women, for whom the changed real situation has not led to any change in 'values' (or consciousness), accept without questioning the Indian ideal of womanhood and have a kind of guilty conscience because of their deviation from the norms. These — particularly married — women consider their new out-of-home roles not as a right, but as a 'privilege'. In order to overcome the guilty conscience, or to give a return for the privilege obtained, they show ritualistic over-conformity to the remaining norms, or work very hard at home to keep their husbands in good humour.

(b) Women of the upper-middle class find it easy to combine study, profession, and family, because of the presence of servants or helpful relatives. They no longer have to fulfil household duties. But they also do not attack the ideal. For them no conflict exists between the various roles of women, which they think can be easily brought into harmony with these various support structures.

(c) Some women are quite conscious of the conflict between their educational and professional aspirations and their family roles. A typical 'reaction-type' of these women is evasion of the conflict by taking up higher and higher studies and more and more courses; thus studying can become for women an 'institutionalised form of evasion'. However, for unmarried girls, this makes marriage ever more difficult. And married women generally simulate submission, playing the 'Pativrata' role, not ritualistically, but for tactical reasons.

(d) Some women openly rebel against the ideal. They are not satisfied with rhetorical talk of equality. They want to develop their own independent life and their abilities, and they want to see their aspirations fulfilled in this very life. They reject the arranged marriage system with dowry, the hierarchical relationship between man and woman, the primacy of the family-duty roles for women, and the division of labour based on difference of sex. This rebellion sometimes finds expression also in dress, hair-do, and life-style (free mixing, smoking, drinking, etc). These women openly demand a change in the role-definition of man and woman. In such rebellion, married working women have a greater choice of success because of their assured social status in addition to their economic independence (or at least dependence of the family on their income). Unmarried women, who have not yet achieved the social status, are in an insecure position; they, therefore, either compromise or risk remaining unmarried all their life.

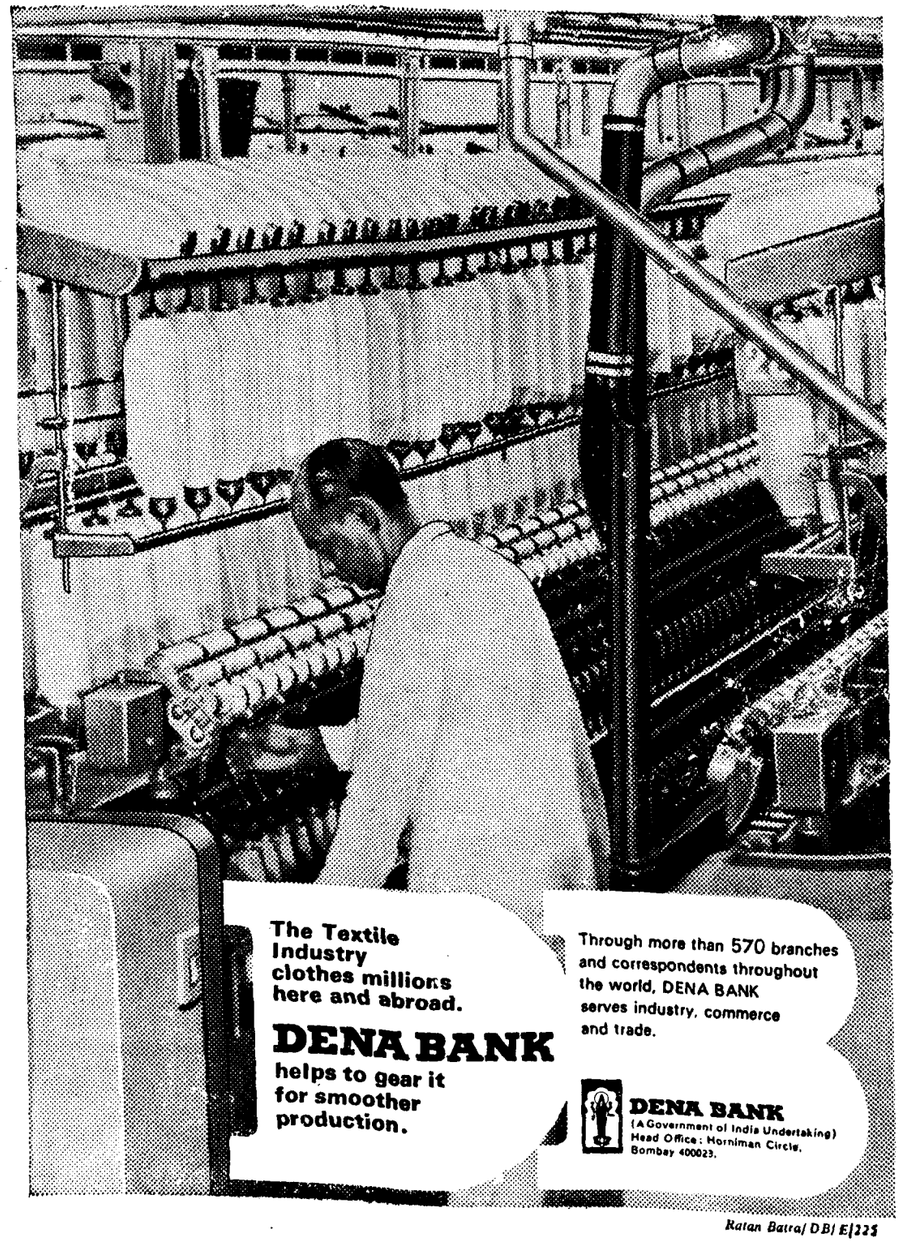
(e) But not all who rebel in principle also rebel in action. Many show a readiness to compromise, because they do not want to break with their parents or husband for the sake of principles. Unmarried women would prefer a love marriage, but would not insist on it; a profession is of great importance to them, but they would give up the job, if the prospective husband so demands or if the family suffers from it. These women find it easier to adapt themselves to the norms.

No statistical data are available on the frequency of these various reaction-types. But one can safely assume that very few rebel. Mies, therefore, states several times throughout her book that all the progressive changes that have taken place in the real life of middle-class Indian women have failed to effect any appreciable change in their le-

vel of consciousness. But she has not anywhere attempted to answer why this change has not occurred.

The answer has to be sought, in the opinion of the reviewer, in the ideology implicit in the educational system after Independence. Mies believes that secondary and college education "is oriented towards Western models, and conveys ideas and values which are incompatible with the demands of the Indian social system: ideas of individualism, freedom and equality — e g, the right to equality of opportunity and free selection of partner, the right to free development of personality" (p 138). Here, however, Mies seems to misunderstand the proclaimed ideal to be the reality. Post-Independence education has been oriented to make women feel they are already equals of men — in this way it has actually confused them as regards the real situation. It has de-fused the need for protest against injustice and oppression from which they in fact suffer. It has opened the gates of office to women, but closed the gate of consciousness and material emancipation.

The book, which was submitted as the author's PhD thesis to the University of Cologne, is in German. A book on Indian women should find more eager readers in India than in Germany. It needs, therefore, to be translated.



Ratan Batra/DB/E/225

Demographic Transition among Parsis: 1881-1971

I—Size of Parsi Population

Leela Visaria

The Parsis have been a remarkable exception in the general Indian demographic scene: Their fertility and mortality levels have steadily declined over the past century. In fact, their fertility is so low that despite high life expectancy, the number of Parsis has been declining for more than two decades now.

This paper examines the trend in fertility and mortality levels of Parsis. It seeks to examine the transition from high levels in fertility and mortality to low levels and the factors which have brought about this transition. The size and the sex-age composition of the Parsi population are also discussed to facilitate an understanding of their fertility and mortality levels.

The article is published in three parts. The first part discusses the size of the Parsi population and the change in the age-sex composition. The level and trends in mortality will be examined in the second part and the trends in fertility in the third.

THE Parsi population has been a remarkable exception in the general Indian demographic scene with high mortality and high fertility. Their fertility and mortality levels have steadily declined over the past century. In fact, their fertility is so low that despite a high life expectancy, the number of Parsis has been declining for more than two decades now.[1] This divergence from the general pattern found in the Indian subcontinent has drawn the attention of scholars and researchers. Besides, the continuing decline in fertility has caused grave concern both outside and within the Parsi community regarding its long-term survival. It is feared that unless special measures are taken in time to check this decline in fertility, the community might face a threat of eventual extinction.

The main objective of the present paper is to examine the trend in fertility and mortality levels of the Parsis, since the time when reasonably reliable data have become available. It seeks to examine the transition from high levels in fertility and mortality to low levels and the factors which have brought about this transition. The size and the sex-age composition of the Parsi population are also discussed to facilitate an understanding of their fertility and mortality levels.

Historical Review

Parsis, the followers of Zarathustra, who founded the religion over 2,500 years ago in Persia (Iran), fled their motherland after the Arab victory over the last ruler of the Sassanid dynasty around 640 AD and their subsequent religious persecution by the Muslims. They arrived by sea on the Western coast of the Indian subcontinent some time between 690 and 710 AD at or around Sanjan — about 100 miles North of Bombay.

Nothing is known regarding the number of people who arrived or the period over which they arrived in India. Nor is much known about the growth of the Parsi community during the subsequent several centuries. It is inferred from Kissah-i-Sanjan, a chronicle composed around 1600 AD[2] that the Parsis maintained some sort of social isolation by (a) practising endogamy and (b) not accepting any new converts to their faith. At the same time they selectively adapted themselves to the social milieu of Gujarat by accepting the language and the dress of the region. Apparently, they settled down in the area as agriculturalists and and merchants and moved South after the Muslims conquered Sanjan in 1490.

From about the seventeenth century onwards, references to the Parsis are found in the travelogues of the Portuguese, the French and the English. Parsis figured in these accounts as merchants and traders in seaports. With the rise in the political power of the European trading companies in India, the Parsis came into prominence and started migrating to the trading centres of Western India, such as Bharuch, Surat and, since the beginning of the eighteenth century, to Bombay. They served as interpreters, mediators, and trading agents and by the nineteenth century had assumed a position of leadership in economic, educational, political and social spheres.

A few estimates of the Parsi population in Bombay are available from 1780 onwards. Most of them are based on either guesswork or partial surveys and fluctuate widely from one date to another. The first somewhat detailed figures (by sex and broad age groups), were reported by the census of the island of Bombay, apparently taken on May 1, 1849 (Table 1).[3] The same figure of 114,698 as the Parsi population of "Bombay and Colaba Islands, including City of Bombay" was subsequently reported in 1857, approximately eight years later, to the House of Commons.[4] The next largest concentration of Parsis was in Surat — persons : 12,663, males: 6,285, females: 6,378, sex ratio (males per 1,000 females) 985. The population of Parsis in the Bombay Presidency as a whole was given as 132,544 (males: 69,854, females: 62,690, sex ratio: 1,114). If these figures are broadly correct, the Parsi community has never regained that size again.

The first official census of the Indian subcontinent, conducted in several provinces and states between 1867 and 1872, was neither synchronous nor quite complete. The Parsi population enumerated by the 1871 census — the year to which it is generally taken to refer — was 78,864 persons (males: 38,239, females: 36,949, sex ratio: 1,035) of whom 57.4 per cent (or

44,091) lived in the island of Bombay.[5] Since 1881, the subcontinent has had an uninterrupted series of censuses, which give the total population of the Parsis in different regions of the country. Table 2 summarises the census data on the total number of Parsis, the intercensal percentage variation and the sex ratio of the population, in the Indian subcontinent as a whole and in Bombay city.

The 1871 and subsequent census figures for the Parsis in Bombay and the Indian subcontinent suggest that the 1849 and/or 1857 figures were rather exaggerated. (If one accepts the 1849 figures, the Parsi population in Greater Bombay had decreased by 72 per cent between 1849 and 1871, a period of 22 years.) In the absence of details about the censuses conducted prior to 1872, it is difficult to identify the nature or source of errors. The classification of population according to religion could be erroneous.

During the 60 years between 1881 and 1941, there was a slow but steady increase in the Parsi population. The fluctuations in the growth rate due to famines and epidemics, that appear to be quite sharp in the data for the Indian population as a whole up to 1921, are smaller among the Parsis. One explanation for the observed steady increase in the number of Parsis seems to be its concentration in a major urban centre like Bombay with its relatively better medical facilities. More importantly, the overall prosperity of the community and its excellent organisational facilities probably mitigated the impact of various calamities on the Parsis.

The number of Parsis in India appears to have declined between 1941 and 1951, because of the exclusion of Parsis who remained in Karachi or other parts of Pakistan and Bangladesh after the Partition.[6] But even in the Indian subcontinent as a whole, the growth of the Parsi population during 1941-51 was only about 2 per cent. Apparently, much of the gain in mortality was achieved prior to 1941 and the effect of continuing decline in fertility began to affect the growth rate. Since 1951, however, the population of Parsis has been on the decline; the decrease during 1951-61 and 1961-71, has been at an average rate of 1 per cent per year. This phenomenon accounts for the growing concern both within and outside the community about its long-term survival.

TABLE 1: PARSI POPULATION OF THE ISLAND OF BOMBAY, BY SEX AND AGE: MAY 1, 1849

Age	Males	Females	Persons	Sex Ratio*
0-14	13,496 (22.1)	13,437 (25.0)	26,933 (23.5)	1004
15-49	39,192 (64.3)	32,325 (60.2)	71,517 (62.3)	1212
50-80	8,279 (13.6)	7,969 (14.8)	16,248 (14.2)	1039
All Ages	60,967 (100.0)	53,731 (100.0)	114,698 (100.0)	1135

* Males per 1000 females.

Note: Figures in parenthesis show the percentage age distribution.

Source: Henry G Briggs, "The Parsis or Modern Zerdusthians: A Sketch", Bombay: Andrew Dunlop Publishers, 1852.

RELIABILITY OF CENSUS COUNTS

A word of caution should be added before one accepts the census counts as valid. The Parsis were fairly well known in the erstwhile Bombay Presidency and Baroda state where they were concentrated. One can presume that a misclassification of the Parsis, i e, their inclusion with some other community in the category "minor religions" was not very likely in these states. However, the count of the Parsis who were located in other regions may well be less accurate. In South India, for example, the word Zoroastrian sounds very similar to "Saurashtrian"[7] and misclassification of the former seems quite likely. The census enumerators, recruited from the local population, cannot all be expected to be familiar with a small and relatively closed community. Even though the absolute level of error may be small, it can have a significant effect on the estimates of intercensal growth rates of the community. This issue is discussed further in Appendix 1 which shows the number of Parsis enumerated in different states of India during the censuses of 1951, 1961 and 1971.

The observed decline in the number of Parsis since 1951 can, therefore, partly be spurious. Further emigration of Parsis to other countries of the world has probably accelerated after 1947, which would also contribute to the decline in the number of Parsis evident in Table 2. However, reliable statistics of Parsis resident outside India and Pakistan are not available.[7] Therefore, there is no alternative but to use the information available from the censuses and other sources for the present discussion.

CONCENTRATION OF PARSIS IN BOMBAY

During most of the period between 1881 and 1971, the Parsi population in Bombay city has grown faster than in the Indian subcontinent as a whole. The proportion of Parsis living in Greater Bombay has steadily increased from 51 per cent in 1901 to 66 per cent in 1961. The decline during 1881-1901 in the number of Parsis in Bombay was probably due to some exodus from Bombay to other developing cities or to other areas of Gujarat or Bombay Presidency. However, the non-availability of birth place data for the Parsis outside Bombay precludes a verification of such a hypothesis. In any event, after 1901, the faster growth of Parsis in Bombay seems to be mainly due to a continuous trickle of migration from the hinterland to the city rather than because of any significant differences in the rate of natural increase of the Parsis in Bombay and the rest of India. The relatively rapid growth of employment opportunities in Greater Bombay, together with its attractive cosmopolitan life, would indeed have encouraged the Parsis born or brought up in neighbouring areas to migrate to Bombay.

SEX RATIO OF PARSI POPULATION

An interesting facet of the demography of a community is the relative number of men and women. This is usually measured through what is called the sex ratio or the number of males per 1,000 females.[8] Up to 1931, the Parsis shared with the rest of India an anomalous excess of males. However, the preponderance of males among the Parsis was much smaller than among other religious groups of the Indian population. Since 1951, however, the Parsis have moved from a situation of a virtual balance of the sexes — in terms of numbers — to an excess of females such as is found in most Western European or developed countries.

Up to 1951, the sex ratio of the Parsis in Bombay was higher than in

the subcontinent as a whole, most probably due to the excess of males among the migrants to the city.[9] However, compared to the total population of Greater Bombay, the excess of males among the Parsis in Bombay was very small. The high sex ratio of the total population of Bombay city (about 1,500 in 1961 and 1,400 in 1971) is due to the heavy excess of males among the migrants, many of whom tend to be rural born persons. Many of the Parsis, on the other hand, migrated to Bombay before the period covered by the decennial censuses and a majority of them have been living in Bombay for several decades now. According to the 1881 Census, for example, 70 per cent of the Parsis living in Bombay were born in the city, 22 per cent in Surat district and the rest in the other parts of the country.[10]

The special tables prepared from the 1961 and the 1971 censuses of Greater Bombay indicate the proportion of locally-born Parsis to be not very different from that observed in 1881, eight to nine decades earlier. According to these data, 72 and 75 per cent of the Parsis enumerated in Bombay in 1961 and 1971, respectively, were born in the district.[11] However, the excess of males among the migrants, noted nearly a century earlier, has disappeared. According to the 1971 Census, while the sex ratio of Parsis born in Greater Bombay was 1,010, it was 946 for those born elsewhere indicating that there was an excess of females among the migrants.[12] This phenomenon has contributed to the equalisation of the sex ratio of Parsis in Greater Bombay. On the whole, the small excess of males, reported by the earlier censuses, has disappeared and a slight reverse tendency is evident in recent decades, partly because, as shown later, the

TABLE 2: SALIENT STATISTICS ON THE NUMBER, THE DECENNIAL PERCENTAGE CHANGE AND THE SEX RATIO OF THE PARSIS IN THE INDIAN SUBCONTINENT AND IN GREATER BOMBAY, 1881-1971

	Parsis in the Indian Subcontinent			Parsis in Greater Bombay			
Year	Total Population	Decennial Change (Percentage)	Sex Ratio	Total Population	Decennial Change (Percentage)	Sex Ratio	Bombay Parsis as Per Cent of Total
1881	85,078	—	1,040	48,597	—	1,088	57.1
1891	89,490	5.19	1,035	48,307	—0.60	1,088	54.0
1901	93,617	4.61	1,043	47,741	—1.17	1,104	51.0
1911	99,412	6.19	1,039	52,435	9.83	1,105	52.7
1921	101,075	1.67	1,055	54,679	4.28	1,148	54.1
1931	108,988	7.83	1,062	61,580	12.62	1,118	56.5
1941	114,890	5.42	1,028	63,757	3.54	1,039	55.5
1951*	117,147 (111,791)	1.96	1,009 (1,009)	68,660	7.69	1,035	58.6 (61.4)
1961*	106,184 (100,772)	—9.36 (—9.86)	966 (963)	70,065	2.05	967	66.0 (69.5)
1971†	91,266	—9.43	964	64,667	—7.71	954	70.9

* The figures for 1951 and 1961 in parentheses refer to the Republic of India alone.

† The 1971 figures pertain to the Republic of India only. Tables relating to the religious composition of the population enumerated in the 1972 census of Pakistan and the 1974 Census of Bangladesh are not yet available.

Notes: (1) The figures for the Indian subcontinent exclude the Parsis in Burma and Aden. The number of Parsis in these two areas up to 1931 was as follows. The number after 1931 is not known.

	Burma			Aden		
Year	Persons	Males	Females	Persons	Males	Females
1881	83	56	27	236	164	72
1891	96	82	14	318	234	84
1901	245	160	85	328	254	74
1911	300	195	105	384	268	116
1921	380	229	151	323	237	86
1931	419	258	161	345	248	97

(2) The figure for Parsis in Bombay in 1881 pertains to only the city or island of Bombay. The 1891 figure for the same area showed a decline of 2.34 per cent (1,139 persons). The coverage of the 1891 figure in the Table above is outlined in Note 3.

(3) Our figures for Greater Bombay for 1891-1911 pertain to Parsis in Bombay Municipal area and the (then) towns of Kurla, Bandra, Mahim and Santa Cruz in Thana District. These figures differ from those given in the 1961 census publication on Parsis of Greater Bombay because the latter apparently include the Parsis located in the other towns of Thana district (except Bhiwandi and Bassein).

(4) Figures for Bombay during 1921-41 include Parsis resident in Bombay Suburban District, which was created before the 1921 census out of Thana District and which was merged with Bombay in 1950—prior to the 1951 Census. The increase in the number of Parsis in Bombay city plus four towns of Kurla, Bandra, Mahim and Santa Cruz during 1911-21 was 3.00 per cent.
The number of Parsis in the Bombay Suburban District was as follows:

Year	Persons	Males	Females
1921	2,445	1,246	1,199
1931	3,815	1,920	1,895
1941	3,944	1,884	2,060

Parsi females survive to a higher age than men.

Age Structure

Up to 1931, the censuses of the Indian subcontinent had tabulated and published data on the age composition of the population of major religious groups. Even though Parsis formed a numerically small group, separate age data for them are available from 1881 to 1931. In 1941, due to war time stringency of funds, the age data for a minority group such as the Parsis, were not tabulated separately. The 1951 and 1961 censuses of India have not included religion as a variable for any tabulations of demographic or economic data. However, the special tables compiled from the 1961 Census of Greater Bombay include the age, sex and marital status distribution of the Parsis. They were followed by a special survey of the Parsi community.[13] Similar census data for the Parsis become available from the 1971 Census in Greater Bombay on the basis of a 20 per cent sample through the co-operation of the Office of the Registrar General, India and the Director of Maharashtra Census.[14] These data seem to be adequately representative of the Parsis in the country as a whole, because nearly 70 per cent of the Parsis in India have been resident in Greater Bombay during the last two decades.

Appendix II shows the age distribution of the Parsis reported by successive censuses during 1881-1971. It is evident that the proportion of the young in ages 0-14 has declined by nearly 43 per cent during the fifty-year period from 1881 to 1931; and according to the data for Greater Bombay, by a further 38 per cent over the forty years between 1931 and 1971 (from 26 to 16 per cent).[15] As a logical converse, the proportion of persons in ages above 60 gradually but steadily increased from only 5 per cent in 1881 to 8 per cent in 1931. Since 1931, however, the proportion of aged has increased dramatically to more than 20 per cent in Bombay in 1971 (an increase of 150 per cent in forty years). Such a high proportion of the aged creates the problem of heavy dependency burden on those in the productive age group.[16] Besides, it apparently contributes also to the postponement of marriage and accentuates the decline in fertility.

Factors Underlying Declining Proportion of the Young and Rising Proportion of the Elderly

If one assumes that international migration had only an insignificant influence on the Parsi population of the Indian subcontinent, the age structure would largely be determined by the recent fertility history of the community. The influence of changing mortality on the age structure is generally small, since persons at all ages tend to share, more or less, the increased chances of survival. Therefore, the proportionate age distribution is not affected significantly by the decline in mortality. Of course, the reduction in death rates tends to make the population somewhat younger because the improvment in environmental sanitation and health services helps to control epidemic diseases which afflict the young to a larger extent than the old. On the other hand, a continuing decline in fertility over two or three generations leads to a smaller proportion of children because the number of children born tends to be smaller than that of the current generation of parents, who in turn are fewer than *their* parents. The changing age structure of the Parsi population, and particularly the declining proportion of the young aged 0-14, observed for nearly 100 years, reflects declining fertility.

Appendix I

This appendix seeks to provide a broad view of the number of Parsis enumerated in 1951, 1961 and 1971 censuses in different states of India. It is evident from Appendix Table 1 that except in Gujarat and Maharashtra, where most of the Parsis are concentrated, there has been a rather rapid decrease in the number of Parsis. However, the number of Parsis in Kerala and West Bengal appears to have fluctuated over the last two decades. It is not possible to judge whether these fluctuations are genuine or result from some misclassification. It may be useful to verify the number of Parsis in these states by collecting information through the help of the local leaders of the Parsi community residing in these states. It is also not possible to know whether the drastic reduction in the number of Parsis in the two successive decades in the southern states of Andhra Pradesh, Karnataka and Tamil Nadu, as well as in Madhya Pradesh and Uttar Pradesh is genuine or whether the problem is one of definition or identification of Parsis. In states such as Orissa and Punjab, where the number of Parsis has been very small, erratic fluctuations can well be expected.

Notes

1 Emigration of some Parsis to countries like Canada, UK and USA might be causing some decline in the population. However, the non-availability of data on the subject precludes an assessment of the contribution of emigration to the decline of Parsi population.

2 This chronicle was composed in Persian by Mobed Behman Kaikobad Sanjana, a Parsi priest from Navsari (about 140 miles North of Bombay) on the basis of what he heard from a 'Dastur' (High Priest). For an account of the exodus of Parsis to India see: Sohrab K H Katrak, "Who Are the Parsees?", Karachi: Pakistan Herald Press, 1965. For a detailed history of religion and social customs of the Parsis see: Dosabhar F Karaka, "History of the Parsis", Vols I and II, London: Macmillan and Co, 1884.

3 Henry G Briggs, "The Parsis or Modern Zerdusthians: A Sketch", Bombay: Andrew Dunlop Publishers, 1852.

4 Great Britain, Parliament, Sessional Papers (House of Commons), "Return of the Area and Population of Each Division of Each Presidency of India", Vol 29, 1857.

5 Census of the Bombay Presidency, 1872, General Report and Tables of the Population, Houses, etc. Enumerated in the Bombay Presidency on the 21st February 1872, Part II, Bombay: Government Central Press, 1875.

6 Almost all the Parsis living in what became Pakistan after 1947, were resident in Karachi. The numbers of Parsis in Karachi in 1941 was 3,721. The number enumerated in Sind was 3,838. The 1951 and 1961 censuses of Pakistan enumerated 5,356 and 5,412 Parsis, respectively. The proportion living in Karachi in 1951 was 94 per cent and 87 per cent in 1961. Census of Pakistan, 1951, Vol 1, Pakistan, Report and Tables, and Population Census of Pakistan 1961, Census, Bulletin No 2, Sex, Urban-Rural Religion, Non-Pakistanis.

7 "Saurashtrian" is a language spoken by a group living mostly in Madurai district of Tamil Nadu. It has been reported in the Censuses of India. Saurashtrian is believed to be a mixture of Gujarati as spoken in Saurashtra in Gujarat state and Tamil as spoken in Madurai district. Apparently, a few centuries ago, some people who migrated from Saurashtra region and settled down in this southern district, developed their own dialect, which has come to be known as Saurashtrian.

7A According to one estimate, the total number of Parsis in the world around 1951 was 140,000 (112,000 in India, 18,000 in Iran, 6,000 in Pakistan and 4,000 in the rest of the world — mostly in the UK, USA, and Canada). *Source*: Sohrab K H Katrak, "Who Are The Parsis", *op cit*, p 252.

8 In the Indian censuses, the sex ratio is measured in terms of the number of females per 1,000 males which is a continuation of the British practice. The present paper defines the term 'sex-ratio' as is done in most other countries of the world.

9 For 1881 the sex ratio of the population by migration status was available from the census and indicated that the sex ratio of the Parsis born in Bombay was 1026; whereas among those born elsewhere it was 1248. See: Imperial Census of (India) 1881, "Operations and Results in the Presidency of Bombay Including Sind", by J A Baines, Vol 1, Text, Bombay: Government Central Press, 1882, p 76.

10 Same source as in footnote 9.

11 The corresponding proportion for the total population of Greater Bombay in 1961 was 36 per cent. The 1971 Census data on place of birth are not yet available.

12 Sex-selective emigration and/or the greater longevity of Parsi females could be contributory factors.

13 In order to understand the causes for the decline in the absolute population during 1951-61, a sample survey of the Parsis of Greater Bombay was undertaken by the Census Office of Maharashtra state at the request of the Parsi Panchayat. The main objective of the survey was to ascertain the "reasons for the increasing proportions of 'Never Married' persons among the Parsis and for the low fertility of Parsi women."

The sample, consisting of about 20 per cent of the Parsi households in Greater Bombay, was drawn on the basis of the 1961 census household schedules. The census schedules did not bear the identification of the religion of the household heads; therefore, judgment, based on the names of members, was sometimes necessary to compile the sampling frame. The Parsi names are quite distinct, so that this procedure is unlikely to have introduced any significant bias. A non-response rate of about 19 per cent is more disturbing, but perhaps could not be avoided due to a lapse of nearly 15-18 months between the census and the survey. In all, the sample consisted of 9,215 persons, about 18 per cent of the total Parsi population in Bombay. For unknown reasons, the 1962 survey is referred to as the 1961 survey in the relevant census report.

The special tables and some results of the survey have been published in: Census of India, 1961, Vol X, Maharashtra, Part X (10), Parsis of Greater Bombay, Bombay: The Maharashtra Census Office, 1971.

14 The cards relating to Parsis were obtained by sorting approximately 1.2 million cards for Greater Bom-

Appendix Table 1: Intercensal Changes in the Number of Parsis Enumerated in Different States of India during the Censuses of 1951, 1961 and 1971

State/Territory	Census Year			Intercensal Change (Per Cent)	
	1951	1961	1971	1951-1961	1961-1971
India	111,791	100,772	91,266	—9.9	—9.4
States					
Andhra Pradesh	2,506	1,193	486	—52.4	—59.3
Assam	27	21	7*	—22.2	—66.7
Bihar	455	501	495	10.1	—1.2
Gujarat	20,028**	17,714	15,131	—11.6**	—14.6*
Haryana	†	†	5	—	—
Himachal Pradesh	—	—	47	—	—
Jammu and Kashmir	††	—	4	—	—
Kerala	58	100	46	72.4	—54.0
Madhya Pradesh	2,066	1,243	736	—39 8	—40.8
Maharashtra	79,917**	77,542	72,266	—3.0**	—6.8
Manipur	1	—	2	—	—
Karnataka	938	418	344	—55.4	—17.7
Nagaland	NA	—	—	—	—
Orissa	181	36	2	—80 1	—94.4
Punjab	175	34	6†	—80.6	—67.6
Rajasthan	819	548	281	—33.1	—48.7
Tamil Nadu	1,277	292	75	—77.1	—74.3
Tripura	1	4	—	300.0	—
Uttar Pradesh	1,258	376	387	—70.1	2.9
West Bengal	1,918	347	585	—81.9	68.6
Union Territories					
Andaman and Nicobar Islands	2	2	2	0.0	0.0
Dadra and Nagar Haveli	NA	23	18	—	—21.7
Delhi	164	248	302	51.2	21.8
Goa, Diu and Daman	NA	130	28	—	—78.5
Pondicherry	NA	—	11	—	—

* The figure includes the Parsis in Meghalaya.
** The 1951 figures for Gujarat and Maharashtra have been estimated from the figures for the bilingual Bombay state. The percentage decennial change during 1961-1971 pertains to
† In both 1951 and 1961, Haryana was a part of Punjab state.
Haryana, Punjab and Chandigarh together.
†† The 1951 Census was not conducted in Jammu and Kashmir.
NA=Not Available.

Sources: (1) Census of India, 1951, Paper No 1 of 1959, Religion and Livelihood Classes by Educational Standards of Reorganised States, p 8;
(2) Census of India, 1951, Vol IV, Bombay, Saurashtra and Kutch, Part II-A, p 189;
(3) Census of India, 1961, Vol I, India, Part II-C(i), Social and Cultural Tables, Table C-7;
(4) Census of India, 1971, Series 1 — India, Paper 2 of 1972, Religion, p 32.

Appendix II

PROPORTIONATE AGE DISTRIBUTION OF PARSIS IN THE INDIAN SUBCONTINENT BY SEX FOR THE PERIOD 1881-1931, AND IN GREATER BOMBAY FOR 1961-1971

Age	1881		1891		1901		1911		1921		1931*		1961		1971	
	Males	Females	Males	Females	Males	Females	Males	Females	Males	Females	Males	Females	Males	Females	Males	Females
0-4	13.21	12.79	11.05	11.24	9.23	9.85	8.72	8.94	7.66	8.04	7.33	7.64	4.93	4.63	4.00	4.09
5-9	11.94	11.76	11.94	12.03	10.66	11.21	9.74	10.08	9.42	9.45	9.15	9.33	6.06	5.92	5.53	5.20
10-14	12.89	11.17	11.91	10.62	11.76	11.28	10.03	10.08	10.00	9.57	9.54	9.20	7.28	6.87	6.24	5.99
15-19	9.66	9.46	9.76	9.70	10.47	10.46	9.44	10.00	8.73	9.10	8.99	9.14	6.67	6.19	6.30	5.81
20-24	9.13	8.55	9.93	9.88	10.27	9.65	9.83	10.68	8.99	9.86	8.20	8.78	7.00	6.94	8.09	7.01
25-29	7.72	8.03	8.13	7.80	8.67	8.83	9.46	9.34	8.54	9.25	8.55	9.03	6.86	7.49	6.57	5.92
30-34	7.17	7.02	7.55	6.83	8.39	8.02	8.83	8.23	8.85	9.16	8.20	8.76	8.20	8.48	6.58	6.65
35-39	6.45	6.63	6.21	5.65	6.87	6.24	7.41	6.71	8.05	7.32	7.94	7.58	7.48	8.00	6.90	7.26
40-44	5.18	5.13	5.93	6.48	6.23	5.84	7.30	6.85	7.63	7.15	7.84	7.19	7.99	7.53	7.83	8.56
45-49	4.54	5.08	4.51	4.18	4.66	4.35	5.29	4.69	5.72	5.10	6.17	5.84	7.43	6.88	7.48	7.28
50-54	4.28	4.48	4.40	5.04	4.32	4.91	4.94	4.72	5.84	5.58	6.23	5.69	6.88	6.95	8.09	8.56
55-59	2.84	3.20	2.86	2.84	2.88	2.83	2.95	2.75	3.45	3.07	3.88	3.58	5.80	5.71	6.74	6.04
60+	4.99	6.70	5.82	7.71	5.58	6.50	6.04	6.94	7.20	7.34	7.97	8.23	17.42	18.38	19.67	21.63

* The 1931 census age distribution was smoothed, to remove the heaps at ages ending with 5s and 0s at the initial stage of tabulation itself, by grouping the single year age data into alternate three and seven year age groups beginning with age 4. Thus, the years 4, 5 and 6 formed the first three-year age group, followed by 7-13—a seven-year age group. From such grouping, the conventional five-year age distribution was obtained by a process of combining the halves of two adjacent age groups. This type of smoothing procedure introduces non-comparability in studying time-trend, because the age distributions in earlier censuses were not smoothed. So the 1931 age data were first desmoothed to obtain the ternary and septenary age groups. The conventional five-year age distribution is then obtained by using the single year age distribution of 10 per cent sample population of India available from the 1951 census. The assumption is that the errors in the 1931 age distribution were similar to those in the 1951 distribution.

Sources: Censuses of India from 1881 to 1931, *Statistical Tables.*
Census of India, 1961, Volume X, *Maharashtra*, Part X (1-D), *Parsis of Greater Bombay*, Bombay: The Maharashtra Census Office, 1971.
Data compiled from the 20 per cent urban sample of Greater Bombay for 1971 census.

bay on religion column where a special code was provided for Parsis (these cards pertained to the 20 per cent sample of Greater Bombay Population of about 6 million). The number of cards obtained (12,740) formed 19.7 per cent of the total number of Parsis in Greater Bombay. The sex-ratio of the sample population, however, was 994 as against 954 for the entire Parsi population in Greater Bombay. It thus appears that males are somewhat over represented in our sample compared to their proportion in the total population.

15 The proportionate age distribution of the Parsis in the country as a whole and of those living in Greater Bombay was very similar at each census. This further supports the applicability of the estimates based on Bombay data for all India.

16 The elderly members of the community would need financial as well as psychological security. In India, the State does not provide social security in the form of old-age pension and, therefore, the younger members of the family have to support the aged. If and when they are unable to or unwilling to shoulder this responsibility, the Parsi Panchayat has stepped in to relieve or prevent the likely distress. While one admires the generosity and foresight of the leaders of the Parsi community, who have made possible the organisation of community assistance, the rising proportion of the aged and their prolonged survival inevitably create difficulty in providing assistance that would match the strong inflationary pressures in the economy during the past three decades.

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Conversion of Coal into Oil and Chemicals

A Technology for Self-Reliant Growth

S N Ghosh

Coal is our most important mineral resource, but we have neglected its use both for energy and as feedstock for chemicals.

India's objectives in coal utilisation should be to produce:

(i) smokeless coke, coal gas, etc, through low-temperature carbonisation plants;

(ii) liquid fuels/chemicals by hydrogenating the coal tar residues of the low-temperature carbonisation plants;

(iii) liquid fuels (diesel, kerosene, petrol) and gases from coal; and

(iv) clean 'power gas' for both higher power generating efficiencies and preservation of a clean biosphere.

I

OUR energy planning and the entire trend of our development has ignored the basic principle that the country's natural resource endowment has to form the basis of development. We have set up industry after industry, oriented them to the 'sophisticated' technologies of the West, forgetting that these technologies were tailored to the resource availabilities for the West. Even now, the need for basic resource development has not found its due recognition.

Both for energy as well as feedstock for chemicals, this neglect of basic resource development its reflected in our neglect of coal prospecting, coal development and coal utilisation.[1] Coal is our most important mineral resource. Its primacy as a mineral resource is established even on the world scale. Long after oil's exhaustion, coal will continue to provide the world with energy and chemical building blocks. This fact should set the long-term perspective. Newer inventions and breakthroughs in technology will also lead to newer methods of coal utilisation.

India's coal reserves, though large, are small compared with those of the USSR, the US, and China. Between them these three countries account for some 88 per cent of world reserves. The UK, West Germany, Australia, India, Canada, South Africa, and Poland, together account for only 8 per cent. This further underlines the need to observe scientific methods of mining and to ensure the most beneficent use of each category of coal.

The basic difference between coal and petroleum is that the latter has a high hydrogen content. Petroleum fuels contain as much as 10 to 12 per cent hydrogen, the rest being carbon — and some sulphur whose percentage varies from a fraction of 1 per cent to 4 per cent. Coal, on the other hand, contains about 4-5 per cent hydrogen and 70-90 per cent carbon: the rest is oxygen, with minor quantities of nitrogen and sulphur. However, coal is contaminated with a fairly high percentage of mineral (matter), termed 'ash'. If the ash is separated, oxygen removed, and hydrogen added in suitable proportions, coal can be transformed into oil. The German chemist, Bergius, attempted conversion of coal into oil by a process of chemical reaction involving the addition of hydrogen under high pressure in the presence of a catalyst.

II

Three Stages of Technological Development

Bergius patented the hydrogenation of coal and other *solid* carbonaceous material of vegetable origin using hydrogen under pressure and at temperatures between 300 and 500°C. Although products obtained from hydrogenation by the original Bergius process were of poor quality, and were high in oxygen, nitrogen, and sulphur compound, and consisted chiefly of the less volatile, high-molecular-weight hydrocarbons, the process was improved subsequently. I G Farbenindustrie succeeded in the twenties in finding catalysts that increased the velocity of coal hydrogenation reactions, thereby reducing the problem of polymerisation, within the reaction chamber, of the primary products resulting from thermal dissociation of coal. Metallurgical research, too, succeeded in developing alloy steel resistant to hydrogen embrittlement. (Embrittlement of the metal here is due to the destructive action of high-pressure hydrogen at elevated atmosphere.) But the engineering tasks involved in the pumping of coal-oil paste and discharge of the heavy oil

— PEOPLE & PLACES — BUSINESS & PLEASURE — LAND & AIR — NEWS & VIEWS —

SKYLAND EXPRESS
& ALPINE ADVERTISER

745R 5

AIR TRAVELLERS URGED TO GET HEADS OUT OF CLOUDS



GENEVA—Travellers to the Alps should keep their eye on the ground and the water to avoid missing some treats, according to the appropriate air carrier*.

Examples cited are river cruises on Rhine, Rhone, or Danube; health resorts and beauty farms; luxury bus tours between Madrid and Budapest; schools and courses; two-day "Alpine Hideaway" arrangements at country inns, very pleasant yet inexpensive; and so on.

(See the "Alpine Highlife" kit mentioned elsewhere in this issue.)

Energy Surplus: Alpine Cures Suggested

ST. MORITZ—The energy shortage has probably been less noticeable in the Alps, with their ample water power, than in some other parts of Europe.

More pressing is the question of surplus energy stored up by holiday-making visitors.

A colour brochure issued by an airline* as part of a kit of 12 called "Alpine Highlife" suggests various remedies: sports facilities in Switzerland and Austria.

The first outlet for energy is available at more than 300 "Vita Parcours" jogging circuits all over Switzerland, incorporating obstacles, parallel bars, swings, weights, etc. The brochure remarks dryly, "The Vita Parcours are a service to public health and *free of charge—therefore never crowded.*" (Italics ours.)



Energy from the Alps. Livigno (Grisons)

Guided hiking, mountaineering, and rock-climbing are next on the list. Seven-day excursions will delight the enthusiasts. For these, advance booking is advised.

In search of level rather than uphill movement, the energetic traveller may hire a bicycle at the airport, or the Swiss Federal Railways will have a "vélo" waiting for him at a specified station, to be dropped off at any other Swiss station afterward.

There are bicycle routes through many scenic (and comparatively level) parts of the country.

Golf and riding are other readily available energy-users.

Canoeing, sailing, and gliding allow Nature to reinforce the muscles.

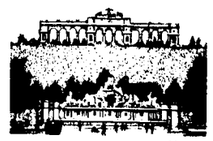
Swissair or your IATA travel agent will gladly put you in touch with the right people.

STOP! LOOK! PROCEED!

To Rush or Not to Rush



Athens



Vienna

THAT, INDEED, is the question for the Zurich-bound traveller. The celebrated Bard of Avon may well have made a soliloquy on the issue, were he around today and flying Swissair.

He surely would have pondered at some length whether or not to stop off at Athens or Vienna on the way to Switzerland from Bombay, and with good cause.

A sojourn in either city is devoutly to be wished, by those who have the time. The airline of the Alps touches Athens every Tuesday and Saturday, and Vienna on Fridays. There are numerous pleasures to be enjoyed in both these amazing cities, for as long as one likes.

When alas, the inevitable moment of departure can no longer be postponed, there are daily Swissair flights ready at hand to take off for Switzerland, or wherever.

Useless Information about the Alps



THE TWO SWISS half-cantons of Appenzell Ausser-Rhoden and Appenzell Inner-Rhoden are completely surrounded by the Canton of St. Gall. A piece of Germany is enclosed by Schaffhausen Canton and the Rhine; a piece of Schaffhausen by Zurich and Germany; two pieces of Canton Solothurn by Berne, France, and Basle.

Campione is an Italian village surrounded by the Canton of Ticino (the name, appropriately, means either Champion or Sample of Italy). It lives handsomely off its gambling casino (not allowed in Switzerland).

Conversely Chiasso, the southernmost town in Switzerland, is only 56 km from Milan, and thus the favoured recourse of Italian companies to get their foreign letters off whenever the Post Office is on strike.

CHUR (Grisons)—The Canton of Grisons long held out against all motor traffic. One compromise was to allow automobiles, but only if drawn by horses. Final capitulation did not come until 1927 (the year Henry Ford produced his fifteen-millionth automobile and introduced the Model A; Lindbergh flew the Atlantic in 33½ hours).

* SWISSAIR

Bombay 29 35 35
Calcutta 44 46 43
Madras 8 25 83
Delhi 4 42 37
Ahmedabad 2 04 01
Bangalore 5 48 62

slurry containing the coal ash, unreacted coal and catalyst particles were indeed very difficult.

In India, where most coals contain 25-35 per cent 'ash', the Bergius process would have resulted in an even greater problem of avoiding polymerisation (within the reaction chamber) of the products of thermal dissociation of coal. The problem of discharge of the heavy-oil slurry containing coal ash, unreacted coal, etc, would also be greater.

The next stage was hydrogenation of tar. Tar being a semi-liquid, its hydrogenation was a less cumbersome engineering task than was the hydrogenation of coal. The German company BASF (in the I G Farben group) developed this process. In this process, no solid material, other than a very small amount of catalyst powder, needed to be either introduced or removed from the high-pressure vessels. In other respects, however, the hydrogenation of tar presented the same problems as the hydrogenation of coal.

The problems of hydrogenation of solid coaly matter became avoidable in the twenties when a newer technique developed. This was to pass steam over red hot coke, produce carbon monoxide and hydrogen, and then cause a reaction of these two gases in the presence of a catalyst.[2] Developed by two German scientists, Franz Fischer and Hans Tropsch, this reaction is also known as indirect hydrogenation of coal. This is a versatile technique and a wide range of hydrocarbon fuels and chemicals including high-value organic acids and oxygenated compounds (alcohols) can be obtained in this process by adjusting the reaction conditions — by changing the catalysts, the temperature, and the pressure. During the Second World War, the Germans produced automotive fuels and chemicals by this route. They also produced butter from the fatty acids yielded by waxes obtained through this Fischer-Tropsch synthesis.[3] The Sasol plant in South Africa is based on this very reaction technique. This plant is producing petroleum products and a large variety of chemical products numbering about 80.

From hydrogenation of solid coal to hydrogenation of semi-liquid tar, and therefrom to hydrogenation of carbon monoxide obtained from coal, forms a series of developments which, from the twenties to the forties marked oil-deficient Germany's brilliant advance in substituting natural crude.

These are milestones which give hope to oil-poor countries; for coal is more evenly distributed over the world than is oil. Even when oil sources are depleted, the liquid fuels and chemical building blocks can still be obtained from coal.

III

India's Objectives for Coal Utilisation

It is true that India is not alone in neglecting its prime fossil fuel-cum-source of (chemical) feedstock, namely coal. Lawrence Lessing writting in *Fortune* (November 1973) bemoans that in the USA, "no other great national resource has been so neglected as coal". "Although the US was blessed with those bountiful reserves, American ingenuity has been confined to inventing more efficient ways to mine them, a field in which the US still leads. The few developments that threw light on coal's potentially higher uses all came from Europe . . .".

The USA's relative neglect was possibly explainable, for it had vast resources of the more convenient oil and natural gas and has vast tar-sand and oil-shale resources. But neglect of coal in our situation was criminal. What is even more unfortunate is that the same blind imitation of the affluent countries' sophistication which had led to our present impasse, is still very much with us. It is likely to take us in some wrong directions again.

In the USA, the new stress on coal-based development is pursuing three main objectives. Since natural gas came to occupy a large part of the American ciitzen's way of life, the USA has to try to produce a gas of high heat value to supplement the natural gas flows through their existing pipelines and distribution networks. Their second objective is to replace much of the natural gas, fuel oil, and raw coal now burnt in electric power plants with a cheap clean "power gas", which in spite of its lower rating of BTUs, would be capable of generating higher efficiencies in steam-cum-gas turbine system.[4] The USA's third objective is to produce a range of synthetic oil products.

In India, we do not have a network for distribution of town gas. So the question of a fresh scheme for producing town gas ought not to arise here. Our urban elite should be satisfied with smokeless domestic coke; and all our efforts should be directed to producing and supplying this coke. The consumption of LPG and kerosene as cooking fuel should be restrained. LPG is valuable as a feedstock for chemicals. Hence we cannot afford the "sophistication" of burning Indane, Burshane, Esso-gas, Cal-gas, etc. A number of low-temperature-carbonisation plants for production of smokeless domestic coke should, therefore, be given high priority.

Schemes for production of methane-rich gas for domestic use are not necessary in India. For there is no sense in incurring large capital costs on building gas distribution networks; and secondly because our coal resources need to be conserved. The account given in the opening section of this article would show that India's coal reserves are not really large in comparison with those in the USA, USSR or China. The problem of fuel for our villages has to be solved through replanting religiously the quick-growing trees which are suitable as firewood. Their list has been prepared by the National Commission of Agriculture. But this requires organisational effort at the grass-root level.

The difference between the US situation and the Indian one needs to be underlined because there are many in our country who gloss over the distinction between coal gasification for producing methane and coal gasification for producing a mixture of carbon monoxide and hydrogen. We do not need the former but we urgently require the latter. The former is the product of complete gasification of coal with oxygen under pressure: the latter is the product of partial oxidation of coal.[5] The two technologies are different.

India's objective of coal utilisation should be to produce:

(i) smokeless coke, coal gas, etc, through low-temperature carbonisation plants;
(ii) liquid fuels/chemicals, by hydrogenating the coal-tar residues of the LTC plants;
(iii) liquid fuels (diesel, kerosene, petrol) and the gases from coal;
(iv) clean "power gas" (for industrial use) for both higher power generating efficiencies and preservation of a clean biosphere.

To repeat, the USA's third and second objectives are our objectives, too. But we have no reason to subscribe to its first objective.

IV

Advantages of Fischer-Tropsch Reaction

In India, an attempt was made in the immediate post-Independence period to convert coal into oil and chemicals. In May 1948, the Government of India invited the Koppers (Pittsburg)

to "cover a project study of various schemes" for producing synthetic oil from Indian coals. In October 1948, the company submitted a preliminary report giving preliminary data on the technical and economic feasibility of installing synthetic liquid fuel plants in India. It included the study of six processes, chosen on the basis of possible adaptability to Indian conditions. Five out of the six processes examined were of the Fischer-Tropsch type "each employing a different method of making synthesis gas, which is an intermediate product from which synthetic fuel is made. As primary raw material for the synthesis gas, one process uses coke; a second, coke oven gas; and the three others, coal". In addition to the various processes of Fischer-Tropsch reaction described above, the report included a discussion on producing liquid fuel by the hydrogenation of tar obtained from low-temperature carbonisation of Indian coal.

The final report of 1949, which followed conferences in New Delhi regarding India's requirements, recommended a complex, combining LTC, Tar Hydrogenation and Fischer-Tropsch synthesis. It recorded that, the tar obtained from the LTC (low-temperature carbonisation) plants (Lurgi process) he hydrogenated to aviation petrol, and that the char obtained from the LTC be used as a raw material for synthesis gas, for production of petrol, diesel oil, fuel oil.

Undoubtedly, the reason for studying as many as five variants of the Fischer-Tropsch reaction technique, out of a total of six processes examined, was the great advantage of Fischer-Tropsch reaction. As explained earlier, this reaction does not seek to hydrogenate the solid coal or the semi-liquid tar. It seeks to burn coal in the presence of only a limited quantity of oxygen for the twin purpose of:

(i) obtaining carbon monoxide, hydrogen (the impurities apart);
(ii) increasing the quantum of hydrogen in the carbon monoxide-hydrogen mixture.

Then, after purging the impurities (by scrubbing with methanol), it gets the pure gases of hydrogen and carbon monoxide to react under a certain temperature and pressure in the presence of a catalyst. This hydrogenation of carbon monoxide gas is much easier than the hydrogenation of either coal or coal tar.

Since hydrogen and carbon monoxide gases are basic to any fuels or chemicals, this reaction can be made to yield any fuel or chemical by suitably adjusting the carbon monoxide-hydrogen ratio, the catalysts, temperature and pressure.[6] Fischer-Tropsch reaction is thus the most responsive to the changing demand patterns. Since purification is built into this synthesis process, its products are the cleanest (non-polluting) possible. Its operation presents less formidable engineering problems than are presented by the direct hydrogenation of the solid coal or the semi-liquid tar. Moreover, it can take any kind of coal, particularly if the powdered coal gasification process is adopted. Naturally, the Fischer-Tropsch plant is expensive.

But there is no basis for comparison of costs with the plants for direct hydrogenation. For, the commercial process of direct hydrogenation of solid coal is yet to be established; and, there is just not enough coal-tar to be hydrogenated.

In spite of the high cost of the Fischer-Tropsch plant, it is commercial, even from the private industry's criterion of 'profitability'. From the standpoint of national economics, its score is even higher. For national economics takes into consideration the benefits of import substitution, jobs to people, opening up of new fabrication facilities, etc.

V

Tar Hydrogenation No Substitute for Fischer-Tropsch

Since there are many in our country who, even now, talk glibly about examining the economics of Fischer-Tropsch plant *versus* those of tar hydrogenation plant, it is necessary to reiterate that it is wrong to contrapose the two. Both are musts. It is necessary to build coal-tar hydrogenation plants for the economic utilisation of the LTC residues. It would be wasteful not to hydrogenate the tar. But one must know the limitations of tar hydrogenation. Tar is not, and will not be, plentiful. Hence tar hydrogenation cannot be a substitute for Fischer-Tropsch synthesis.

Fischer-Tropsch opens the door to producing as much liquid fuel as we may need. It is subject only to our capacity to produce the required quantities of coal. In order to start the base for a new technology, if for nothing else, we must have experienced in operating at least a one-million-tonne plant, based on Fischer-Tropsch technique. Our purpose is not just to produce one million tonnes of liquid fuels but to scale up/multiply the plant as soon as we have mastered the technology.

To put tar hydrogenation on the same footing as Fischer-Tropsch is to commit a serious error. The progression of the two techniques indicate that there has been a great difference in their appeal, which could not have been without reasons.

The "Chemistry of Coal Utilisation" edited by H H Lowry (sponsored by the National Research Council Committee of the US), stated in its 1945 edition that the hydrogenation of *low-temperature* tar had "been studied" in Great Britain, Germany and Russia. Referring to Britain, it mentioned only one experimental plant "with a capacity of 1 to 2 tons (200 to 400 gallons) per day", erected and operated at the British Fuel Research Station in Greenwich.

Even in Germany, which under Hitler adopted a policy of 'forced engineering' to achieve self-sufficiency in synthetic fuels, the coal hydrogenation plants "temporarily processed also low-temperature coal-tar" (Lurgi report to Government of India). This shows that coal-tar hydrogenation, although less cumbersome than coal hydrogenation, had no great appeal.

In contrast, the Fischer-Tropsch plants spread rapidly in many countries of the world, following the work of these originators in the twenties and early thirties. In 1932, Fischer and his co-workers considered their process sufficiently well developed on a laboratory scale to merit pilot-plant experimentation. And in 1933, the Ruhrchemie AG undertook the construction of a plant of 1,000 tons/year capacity.

At the end of 1936, five plants, aggregating a capacity of 145,000 tons of primary oils per annum, were either completed or under construction. During 1937 and 1938, the capacity of these plants was increased to 300,000 tons; and towards the end of 1938, additional plants were under construction to yield an annual total of 525,000 metric tons. In 1939, Germany was reported to have been producing at the rate of 500,000 tons per year of gasoline, diesel oil, and paraffins by Fischer-Tropsch process (see Appendix).

The appeal of the Fischer-Tropsch technique was not limited to Germany in the pre-War period. Japan had two plants with a total output of 150,000 tons. Besides, three others of a capacity of 50,000 were under construction. France had a plant of 20,000 tons/year capacity.

The Fischer-Tropsch plants would have continued to spread, if the cost of natural crude had not become cheaper in the post-World War period following a large number of oil discoveries and/

or if the US occupation authorities, in order to subserve the interest of the oil companies, had not dismantled the Fischer-Tropsch synthesis plants in the occupied countries.

The reasons for the remarkable spread of the Fischer-Tropsch plant, within about seven years of its origin, was explained by H H Storch in terms of its flexibility in the uptake of raw materials and variability of output patterns. "The Fischer-Tropsch process is a remarkable one because of its great flexibility, both as regards raw materials and products obtainable. A variety of types of coke and coal may be used as raw materials for synthesis gas production, and the proportion of gasoline and other products may be varied considerably."

Besides the advantages enumerated above, Fischer-Tropsch has another factor in its favour. Coal tar involves operation at a high pressure of about 200/300 atmospheres. Naturally, hydrogen, too, has to be compressed to the same 200/300 atmospheres. If any inert compound is associated with hydrogen, the compression cost would be excessive. On the other hand, Fischer-Tropsch can operate at a lower pressure, at about 1-30 atmospheres. Even if any inert compound is associated with hydrogen, the compression cost in this process would be far lower.

Incidentally, some people have a notion that hydrogenation of tar would permit greater scope to our indigenous fabrication facilities than the Fischer-Tropsch reaction. Since neither is dispensable, this kind of comparison is meaningless. But if any comparison is to be made, greater advantage will be found to lie on the other side. Since tar-hydrogenation is a high-pressure operation, we would have to import high-pressure tar compressor, hydrogen compressor, high-pressure reactor, high-pressure valves, tubes, etc. Besides, tar being a corrosive material, the use of ordinary carbon steel will not be possible: stainless steel will have to be used right from the pipes and valves to the instruments and control systems.

Fischer-Tropsch reaction will, on the other hand, permit the maximum indigenous equipment. Even the synthesis reactor could be built in the country right now, if the process licensor agreed to give the drawings. Fischer-Tropsch, moreover, does not consume much power or steam.

To repeat, tar hydrogenation is no alternative to Fischer-Tropsch. We must hydrogenate all the tar that is available. And we must have Fischer-Tropsch. Our policy-makers have to be alert against two possible sources of confusion. The international oil interests find a threat from Fischer-Tropsch: They would therefore work overtime to build up inhibitions against the process. At the same time, International design and engineering firms, which have lagged behind in developing processes for utmost production of synthesis gas (hydrogen and carbon monoxide), will also like us to wait until they have developed *their own* 'advanced' processes in this field.

VI

Tar Hydrogenation and Fischer-Tropsch Not Necessarily Parts of One Complex

There is yet another school which does not pose tar hydrogenation as an alternative to Fischer-Tropsch but wants to lump the latter with the former, whenever any proposal for synthetic oil comes up. Possibly, this school is guided by the Lurgi report of October 1955. The report pointed to the demarcation line. It stated repeatedly that low-temperature carbonisation and coal-tar hydrogenation form one group and that Fischer-Tropsch synthesis forms another group. Therefore, to insist that Fischer-Tropsch must be considered together with coal-tar hydrogenation would not be correct.

In the interest of clarity it needs, however, to be pointed out that Lurgi — even after pointing out the broad divisions — had tried to link these together by a process of its own. It stated that, if its own gasification process is adopted in the Fischer-Tropsch section, then that gasifier too would yield tar; also that this tar (from the gasifier) could be sent back to the plant whose main job was to hydrogenate the tar from the low-temperature carbonisation unit.

There was, therefore, a case for clubbing both tar hydrogenation and Fischer-Tropsch synthesis, if we expected the Lurgi gasification process to be adopted in the Fischer-Tropsch plant. But that question has already been disposed of by a Committee of Experts, which had been set up to find out the most suitable coal-gasification process for synthesis gas.

The gases required for Fischer-Tropsch synthesis are the same as those required for ammonia synthesis. Up to the gasification and gas purification point, the processes for coal-based fertiliser production and synthetic oil production are the same. Hence the opinion of the Committee of Experts — which examined in detail the merits and demerits of the various gasification processes for the coal-based fertiliser plants at Talcher and Ramagundam and Korba — is relevant.

It stated that the pulverised coal gasification process of Koppers is much more suitable than the Lurgi process. Since the primary aim of the Lurgi process is to produce the methane-rich town gas/industrial fuel gas, it is not desirable for synthesis gas production.[7] Further, the Lurgi process does not permit a wide choice of suitable coals and it cannot take coal with low ash-fusion temperature. The Committee therefore said that the Koppers process — in spite of its higher consumption of oxygen and higher reaction temperature, held a much greater advantage.

These fundamental considerations about the basic raw materials and product yields enjoin us to adopt the Koppers gasification process. Since this process does not produce any tar in the gasifier, the last faint justification for considering tar hydrogenation and Fischer-Tropsch as inseparable and interdependant parts of a single complex disappears.

Disapproval of Lurgi's gasifier does not mean underrating Lurgi's potential for contributing to the solution of India's energy/feedstock problems. In both low-temperature carbonisation and tar hydrogenation, Lurgi has a claim in the world. Even in developing the fixed-bed reactor for producing the heavier petroleum products *from* synthesis gas, Lurgi was Ruhrchemie's partner. At Sasol, it did the process design for the Arge Reactor. (Detail design for both was, however, done by Kellogg in co-operation with Uhde of Germany; and the erection was done by Kellogg alone.) In our all-out drive for energy sufficiency, we may take process licence from Koppers, Lurgi, Kellogg, Uhde in their respective spheres of strength — without tying ourselves to any particular company.

VII

Fischer-Tropsch Synthesis Plant Meets Test of Commercial Viability

Since Hitler's Germany produced synthetic crude from coal for strategic reasons, an idea has gained ground that conversion of coal into oil and chemicals can at best be a strategic project and that it cannot be economical. A standing refutation of this idea is

the handsome profit being reaped, year after year, by the Sasol plant in South Africa, currently the world's only operating plants[8] (see Appendix).

It needs however, to be noted that these figures can give only a rough idea, for no other country would possibly build identical plants and operate in identical conditions. The gasifiers at Sasol produce a large percentage of methane gas for use as fuel gas by the industries in the neighbourhood at the cost of liquid fuels and chemical feedstocks. As against this, all our products will be liquid fuels/chemicals fetching high revenues. The second difference is that the Sasol profit figures include the income from an ethylene plant, a styrene plant, and a butadiene plant which are not based on coal. Thirdly, these figures include the loss on account of Sasol's venture into oil exploration.

Sasol's balance sheet for the year ending June 26, 1971 showed its assets valued at Rand 111.9 million.[9] Its share capital (fully paid) was R 109.75 million; capital reserve R 0.9 million and revenue reserve R 9.5 million. As against this, its long-term laibilities stood at R 46.6 million.

Significantly, Sasol's turnover during 1971 stood at R 81.5 million (as against R 72.2 million in 1970 and R 45 million in 1967). According to Sasol's Chairman (*vide* his statement in the annual general meeting on November 11, 1971), "although it is difficult to calculate the relative contributions of the Sasol and Natref plants (the latter based on petroleum) because of the continuous interchange of blending components, it is safe to say that, after discounting the price increases, the contribution by the Sasol plant to the turnover amounted to not less than R 76 million during the year".

The overall profit in 1971 was R 7.9 million (equivalent to about Rs 9 crores in Indian currency) despite some loss on oil exploration.

It is true that most of the equipment of the Sasol plant was installed many years ago and that the historical cost of the plant can hardly be used for working out the economics of a plant to be set up now. But it is also true that the earlier benefits, too, have become historical. A Fischer-Tropsch plant's contribution, in terms of the value of import substitution as also profit-earning, has multiplied after the series of crude price increases in recent years.

In a paper presented at a Seminar in Rumania in 1971, J H Gevaars and C W Schutte (both from Sasol, the former a senior Process Engineer and the latter a Techno-economist) worked out the plant costs, production costs and income if Sasol were now to build up a new plant of 2.5 million tonnes capacity, using its existing technology (i e, gasification which produces a large quantity of methane, which is not desirable for F-T synthesis but is useful as fuel gas to the neighbouring industries). The authors say that the total plant cost would be $ 503 million and the yearly operating cost $ 63.5 million. As against this, the annual income for products would, on 1970 prices, be about $ 141.8 million. Allowing for interest, tax and depreciation, it would yield 15.5 per cent return on investment. If the OPEC decision for increase in crude price had been taken prior to the preparation of this paper, the authors would have certainly shown a brighter prospect for profits.

VIII

Exaggerating Cost Estimates and Underrating Yield Values

In spite of the bright economic prospect of Fischer-Tropsch synthesis, there are many in our country who harp on the high investment costs of the F-T synthesis plants. We submit, the investment costs on a F-T plant (including its gasification, gas purification, synthesis reactor and condensation equipment) is much lower than is generally imagined. This author had the benefit of a look into the preliminary cost-calculation, made jointly by the specialists in the design and costing of coal-dust gasification and gas purification plants and the specialists having the longest association with F-T synthesis. This emboldens him to say that the cost of an F-T plant producing one million tonnes of oil products (from coal) will be about Rs 300 crores, if energetic steps are taken right now.

If we take into account the substitution of imports worth about Rs 90 crores per year, which is the landed cost of one million tonnes of crude, there can be no doubt that this project ought to be very high on our priority list.

The value of yields from a Fischer-Tropsch plant will be far more than Rs 90 crores, for an F-T plant goes beyond producing synthetic crude. It distills the crude into fuel and chemical products, too. In this respect it covers a large part of the job of a petrochemical refinery, i e, a refinery which extends beyond producing fuel products to the making of chemicals (see Appendix).

A Fischer-Tropsch plant of the above capacity, if based on powdered coal gasification process, will also yield tail gas, which after reformation, can be synthesised into about 500 tons of ammonia per day. Undoubtedly, this is the production of a large ammonia plant. The country would not have to spend anything extra for either gasification or purification of the gas for ammonia synthesis.

If one has to hear the plea of 'lack of funds' for such a versatile project — a project that (i) produces crude oil out of coal; (ii) does most of the processing of this crude into products which are cleaner[10] than the refinery products; (iii) yields the basic chemicals which would otherwise have to come from the naphtha route; (iv) covers most of the way to ammonia synthesis; and (v) is flexible enough to switch over to any product-mix in response to changing demand patterns, then one cannot help feeling that there is something basically wrong with our order of priorities.

The particular confusion over the subject is amazing. There are some who argue that our resources permit a 'coal gasification plant' but not an F-T plant. In other words, we have money for producing methane, but not for producing synthesis gas and converting it into liquid fuels. We have noted earlier that coal gasification for producing pipeline gas (methane) is not essential in our context[11] and that even our elite should be content with smokeless coke. If we seek to produce methane from coal, instead of synthesis gas for liquid fuels, we are turning our priorities upside down.

One would like to ask: What is the difference in cost between a methane production plant and a Fischer-Tropsch plant of equivalent capacity? Here is the evidence of Jan C Hoogendoorn, Manager, Process Division of Sasol:

> "Finally some words on the economics of the Fischer-Tropsch operation. The total cost will . . . be heavily influenced by the presence or absence of infrastructure, start-up costs, etc. Some idea of the investment can, however, be obtained from the cost figures given to the FPC[12] for SNG[13] plants in New Mexico. A Fischer-Tropsch synthesis plant would be very similar to such an SNG plant up to the point where pure synthesis gas is produced. The methanation section would be replaced by the Fischer-Tropsch synthesis and the product recovery must be added. As a rough indication we can indicate that we estimate the cost of the synthesis units proper with the primary product recovery section to be more or less equal to the estimated cost of the gasification plus raw gas purification unit . . .".

In other words, we have to subtract from the overall SNG plant the cost of the methanation section and then add the cost of the synthesis reactor or reactors along with the product recovery section. At Sasol, there are two synthesis reactors. India may not need more than one. This being so, the cost of an F-T plant would not be very much higher than that of an SNG plant of equivalent capacity.

If still, there is a tendency in some quarters to avoid F-T plants, it can be explained only in terms of the effect of decades-old propaganda by oil interests against Fischer-Tropsch synthesis.

Yet another source of confusion is the uncritical acceptance of the input-output ratios given by foreign sources. We are told five to six tonnes of coal will be needed to produce one ton of oil. Some people think that the ratio would be 7:1. Both of these are wrong. At Sasol, if five (or even six) tonnes of coal have been yielding one tonne of oil, it is because a large quantity of pipeline gas (methane) is being produced out of the coal input. If the pilot plant in Princeton based on COFD process of FM Corporation produces only a barrel or two per tonne of coal, it is because this process seeks to produce (i) char to fire utility boilers, (ii) medium-Btu gas for subsequent upgradation to pipeline gas, and (iii) synthetic crude oil. But in India, the entire coal input of an F-T plant will be devoted to producing liquid fuels and chemicals.

Indian specialists in synthesis gas production have calculated that 2.8 million tons of Raniganj coal will yield one million tonnes of oil. But one million tonnes of coal will be needed additionally to provide the drives. This means, a total input of 3.8 million tonnes of coal would be necessary to produce one million tonnes of oil. This tallies with the estimate given in a recent article in the *Petroleum Economist*. It says "the production of one ton of oil from 3.5 tons of coal has plainly become a more attractive proposition since the rise in world oil prices".

IX

Burden of Wrong Perspective

It will be strange, indeed, if the country spends money on creating new refining capacities based on imported crude but pleads lack of funds to convert its own coal into oil and chemicals. Through the Oil Industry Development Bill, the Government has sought to convey that it will have surplus money after spending on oil exploration and that it would like to invest this in the expansion of refining, fertiliser and petrochemical capacities. On the contrary, we should spend the accruals from the new cess on only two types of efforts — *viz*, exploration for natural crude oil; and production of synthetic oil from coal.

In the fifties, government policy was on the right track in launching an oil exploration with indigenous efforts. But, in its zeal for exploration of natural crude, the need to produce synthetic oil was lost sight of. When the crude price was cheap, the burden of this mistake could somehow be borne. It cannot be borne now, when the price of imported crude has trebled in just one year. (The present price is seven or eight times the lowest actual selling price in the sixties.)

There is no doubt that this country will find considerable quantities of oil and gas, both onland and offshore. But that is no research why we should ignore the principle of walking on two legs. Production from the new fields should first go to substitute our existing oil imports. It should replace the imports of the Haldia, Visakhapatnam, Cochin and Trombay refineries. If the new discoveries are so large as to permit a yearly production rate which is in excess of our total substitution requirements, then alone should we set up new crude processing facilities.

It is quite wrong to create crude-processing capacities of petroleum-product-based fertiliser or chemical plants ahead of oil discoveries. For, this will only generate in-built compulsions for higher imports. Matching the time-scale, between the discovery of more crude and the installation of new refining capacity, is possible; and none need worry on that score. For, there is a time-lag of a few years between the discovery of reserves and the commencement of crude production; the lead-time for a refinery, too, is nearly the same.[14] If we can develop speed in the former, there is no reason why we cannot reduce the time-lag in the latter.

Considerations of national economic security and political independence demand that until such time as a comfortable oil situation arises, the country must bend its efforts to produce more hydro-electricity and more coal (and thermal power) to meet its additional energy requirements without incurring additional liabilities for the oil industry. The country will have to meet its essential oil needs from synthetic crude, and its fertiliser and chemical base-stocks from coal. Luckily, *almost* the entire range of chemicals which we now get from oil can be obtained from coal. It involves a different route, and so it requires a different integration of production processes at source. Fischer-Tropsch reaction again holds the key position in this alternative system of fuels and chemicals planning.

If we do not follow this perspective we might find ourselves in an even more desperate situation in the future. After spending a total of Rs 700 crores on the 6-million tonne Mathura refinery and the pipeline for the crude to feed it, we might not be able to find the additional Rs 500 crores annually to finance crude imports. (A new 6-million ton refinery will add this liability to the country's annual oil import bill. The refinery and the pipeline may, in that case, have to remain idle.[15] Besides, we would have missed the opportunities for developing alternative energy resources with the same capital. The burden would be more unbearable, since we would have to continually pay interest to foreign countries which loaned us the capital.

If the country could incur the capital cost of the Mathura Refinery-cum-pipeline (Rs 700 crores) and the cost of four years' import of crude on (Rs 2,000 crores) F-T plants, it could build facilities within the country for producing an assured amount of 6 million tonnes of oil — and chemicals — annually. This would also include the costs of mine development. If we take into account the cost of port development facilities, tanker facilities, etc, which would have to be provided for importing foreign crude, we would realise that the potential of developing indigenous resources would have been even greater if we had re-oriented our policy.

It will be argued that "the creation of new refining capacity is being financed largely by the equipment supplier countries and the oil exporting countries. We do not have the money. So we do not have the option". To this, there is only one answer. If our credit-donor countries orient us to build newer and newer refining capacities, shutting out our proven-resource-based projects, then we are heading towards calamity.

Closing all our options, except oil exploration, will put us increasingly in the hands of the foreign oil companies. In a climate of pervasive proneness for soft options, few will perhaps care to remember that even if large reserves of natural crude are found, these are not to be consumed ravenously. Oil needs to be conserved. Even the Shah of

Iran realises that oil is too precious to be burnt as fuel and that its greater value is as a source of building blocks for chemicals.

X

False Cost-Benefit Analysis

A true cost-benefit analysis has to take into account not merely the money cost of and the financial returns on a project; it also has to take into account the material difference that a project could make to the society's life — i e, the overall cost to the society which its commissioning will entail, and the chain of social benefits and/or evils which will likely flow from it. The social cost of *forgoing* the project must also become part of such an analysis. But in the hands of exotic economists and perspective-starved technicians, the tool of cost-benefit analysis is often misused. In our country, in fact, decisive importance is often attached to the capital cost of a project; the recurring cost, which is of great moment, is often neglected.

H N Sethna, Chairman, Atomic Energy Commission, points to an even greater deficiency of the current methods of cost-benefit analysis: "Questions like *who* pays and *who* benefits are not satisfactorily answered by these methods". K R Chakravorty, pioneer of catalyst development in India, pointed to the same lacuna when he pricked the bubble of the followers of the current methodology in cost-benefit analysis: "They forget that most of the costs in coal-based plants are *assets* to the nation, while most of the costs for the plants based on imported crude are *liabilities* to the country." Chakravorty's warnings against the danger of licensing fertiliser plants based on naphtha have proved prophetic.

Even from among coal-based projects, a choice will have to be made. Every coal-based project cannot claim the same priority. As noted earlier, methane producing coal-gas plant cannot enjoy the same priority as the low-temperature carbonisation plants, producing smokeless coke and gas for chemicals. Questions such as which class of people pay for which class of people's benefit and whether we should continue to orient our developmental programmes to elite comfort are very relevant in determining this national priority.

By all national and social, strategic, economic and even environmental considerations, Fischer-Tropsch Synthesis plant scores over every other coal-based project. The question 'how much import can one F-T plant substitute?' is irrelevant.[16] What is relevant is that it opens up a new panorama of possibilities — a whole line of development which starts from an indigenous resource and proceeds all along the road of self-reliance. Also, as important is the opportunity it opens up for scaling-up of capacity. Once we have mastered the technology, we might replace all the crude oil imports, if only we can produce additional coal in the proportion indicated earlier.[17]

In 1948, the Koppers Report has estimated the cost of a whole complex — consisting of the LTC plant, Tar Hydrogenation Plant, Fischer-Tropsch Synthesis — at $ 72 million. The objective at that time was limited, *viz*, to produce 0.15 million tonnes of petroleum products (aviation gasoline, motor spirit, diesel oil, and fuel oil). The technology of those times required 17 lakh tonnes of coal per year for this production.

In 1955, the Lurgi Report recommended a whole complex of LTC, Tar Hydrogenation and Fischer-Tropsch Synthesis plant, which it called the Combined Plant. It also separated the cost of LTC and Tar Hydrogenation in one group, and the cost of gasification and Fischer-Tropsch synthesis in another. This was to leave a clear choice to the government. It could exercise its option either for the combined plant or for one of the two groups.

Of Fischer-Tropsch synthesis, together with the gasification, Koppers estimated that for a production of 0.175 million tonnes of motor spirit and 75,000 tonnes of aviation gasoline, the investment cost would be Rs 36.6 crores. Of course, out of this, Rs 32.4 crores worth of equipment was to be imported from Germany at that time.

We, in India, did not start the project at that time on account of its 'high cost'. As a result, the investment cost is so much more today. (It could have been still higher if advances in knowhow and equipment fabrication had not exercised a cushioning influence.) If we do not learn the lesson even now, we would have to face the problem later, when the odds will be still heavier. A much heavier cost in future must be reckoned in the price of opportunities being missed now.

XI

Loopholes in Plea for Waiting on Grounds of Fluidity of Technology

Even among those who accept, that conversion of coal into oil and chemicals deserves a high priority, there is a tendency to argue that "the conversion technology is likely to undergo some change; therefore, why take up the construction of a plant now?". This, again, is evasion. There will always be prospects for newer advances. To hold back a proven knowhow from commercial use, on the plea that laboratory researches elsewhere indicate chances of a more advanced technique emerging at a future date, is to put a stop to all present action.

It is known that experiments in laboratories have to be followed up with pilot plant tests before adopting the process for commercial use. Unless one loses all sense of urgency, one cannot possibly plead for waiting in the face of a national emergency. This waiting will mean postponement by at least 10 years.

The alternative process, for conversion of coal into oil, relates to direct hydrogenation of coal. In the US, researches are in progress for partial hydrogenation and solvent extraction, so that ash is separated from coal and the de-ashed coal goes into solution. The idea is to hydrogenate the ashless coal in the second stage. Both these steps require operation at high temperatures. High-temperature operation makes it difficult to maintain the liquid state of the product: the liquids tend to gasify. To prevent gasification, the operation has to be under high pressure. There are three major engineering hurdles which have to be crossed before this scheme of direct hydrogenation of coal becomes a commercial reality. The coal-oil slurry, which is a highly viscous solid-liquid slurry, has to be pumped under high pressure. The reactor of a large volume has to be operated under exceedingly high pressure. And the ash has to be filtered from a highly viscous liquid. Each of these constitutes a difficult operation.

There is no doubt that human ingenuity will some day find the solution to these problems and make direct hydrogenation a commercially viable process. But, to date, there is not even one pilot plant anywhere based on direct hydrogenation of coal to suggest its *commercial* application in the near future. There is no experience of any type to presage greater convenience and reliability than in the old, tried-out, Fischer-Tropsch.

Whatever the outcome of the researches for direct hydrogenation of coal, it is going to be an exceedingly high-pressure operation.[18] In the US, they are now saying that it might be possible to operate 200 m³ reactors at 700 atmospheres for this purpose. Even

if it becomes possible for the US to develop these high-pressure processes, it will be foolish to transplant these to our conditions where the level of metallurgy and the infrastructure in general are very different.

Moreover, reducing the ash content of US coal from 8 per cent to 3 per cent or even zero per cent, is not proof enough that it will be possible to reduce Indian coal's 30 per cent ash content to 3 per cent, without further research effort in our own country. It is also acknowledged that barring the Assam coals and the Neyvelli lignite, there is no coal in India which is easily amenable to direct hydrogenation — and in both these places, there are disputes over the quantum of reserves.

In these circumstances, the only sane policy would be to proceed on the basis of the standardised technique of F-T and to keep the windows on the world open for fresh developments. That Fischer-Tropsch Synthesis is a low-pressure operation and would not require import of equipment, except marginally, are further points in its favour.

Those who say that the Fischer-Tropsch Synthesis process at Sasol is not an up-to-date reaction technique ought to know that no improved version has been working anywhere, even on a pilot-plant scale. Those who want to copy the West's sophistication of SNG (methane) production have, of course, a different — and irrelevant — concept of up-to-dateness.

Again, there are those who say that the F-T synthesis process for liquid fuels would have been uneconomical if Sasol had not combined the manufacture of chemicals with the production of liquid fuels. We submit that the proponents of this line are the prisoners of their old habits of reasoning — which held good when natural crude was cheap. Oil has now changed *irrevocably* into a highly expensive commodity. And we, too, have a compulsion to produce chemicals from coal to replace the manufacture of chemicals from petroleum derivatives.

Waiting for somebody else to evolve a new process, is an outlook which is the antithesis of industrial culture. This 'file culture has impeded our progress. Our first idea, of starting a synthetic oil project, did not come very much behind South Africa in time. In 1943, South Africa acquired the rights to the American variation of the Fischer-Tropsch process, and in 1947 it passed a liquid fuel and oil law. The Government of India invited Koppers in 1948; again,, it appointed Lurgis in 1955 to make recommendations on synthetic oil. However, while South Africa commissioned the oil-from-coal plant in 1955, India's 'file culture' did not allow any progress to be made in this direction.

We must also realise that when we come to have an operating industry, there will be scope for a better system of feedback for R and D. The Fischer-Tropsch synthesis plant of South Africa enables that country not only to continue research to improve the existing process and products but also to carry on researches on the direct hydrogenation of coal to liquid fuels. Also, finally, if a cheaper, direct, hydrogenation of coal comes to be evolved, the Fischer-Tropsch synthesis plant can still be used for alcohol synthesis. The Fischer-Tropsch reactor is a catalytic packed-bed reactor operable between 1 and 30 atmospheres, around 300°C. It is very similar to the methanol reactor or the Oxo-synthesis (alcohol synthesis) reactor. Hence there is no possibility of loss of investment on any account.

XII

Arguments from the Opposite Pole

Resistance to anything good or pioneering comes in many forms. Where powerful oil lobbies and other interests make a common cause in opposing a measure, the resulting confusion produces arguments from opposite poles. Thus, we have at one pole the argument for waiting for the most modern technology to emerge. On the other hand, we hear arguments that there are problems in going in for a Fischer-Tropsch synthesis plant because "none other than Sasol has the knowhow to produce the distillates in which we are interested[19] and we have no diplomatic relations with South Africa". It is suggested that if there had been any operating plant in any other country producing the product-mix we require, we could possibly adopt it. This is an argument not merely for a tried technique but also for a tried reaction condition.

There is only one answer to this argument: where there is a political will, there is a way. If we are earnest about it, the problem of data for reaction conditions (carbon monoxide-hydrogen ratio, catalyst, pressure, temperature variation, etc) for different products can be resolved. What is needed is initiative.

XIII

The Hallmark of Entrepreneurial Initiative

Here we can take a leaf out of South Africa's book, even though that country pursues an apartheid policy which we detest. When South Africa took up the construction of a coal-to-oil plant, there was no full-size plant for purification of raw gas. Lurgi and Linde, both of Germany, had just developed a process jointly. Sasol thought the pilot plant data convincing enough and adopted the process.

During operation, it found that the Lurgi gasification process was producing a side-stream of gas liquor in which components such as ammonia and phenols remained dissolved. Again, it chose another "first", the Phenosolvan process in which phenols are extracted from the water with a solvent such as butyl acetate. (The ammonia was then recovered by stripping with steam and converting into, for instance, ammonium sulphate.)

In the synthesis process itself, it faced a very difficult choice. On the one hand, there was the Ruhrchemie-Lurgi process (fixed-bed reactor system) which till then worked only on some small demonstration reactors but was unlikely to create any scale-up problems. On the other hand, there was the Kellogg reactor (moving-bed type with a fluidised catalyst) on which only pilot plant data were available but which offered the opportunity of building reactor units with a much higher capacity straightaway. Though the basic chemistry for both reactor types is the same, the fixed-bed reactor produced in general straight-chain hydrocarbons with a high molecular weight, and *most* of its production was in the range of diesel oil and paraffinic waxes. As against this, the fluid-bed process of Kellogg produced the branched olefins of a low average molecular weight and the production was mainly in the range of LPG and gasoline. In view of the uncertainties and difficulty of choice, Sasol decided to build two synthesis plants in parallel using both systems. In retrospect, the decision was wise.

(Kellogg has done the process design as well as the detailed design of its own reactor. Moreover, it did the detailed design of the Ruhrchemie-Lurgi reactor, in collaboration with Uhde of Germany.)

India, in fact, is now in a far better position. It can benefit from Sasol's

long operating experience and the many experiments in design modification and variation in reaction conditions. Where the calibre of internal technical advice and scrutiny is as high as in India of today, there is no reason to shrink from a project which will be the second of its kind in the world, if our reference is limited to the post-Second World War period. Of course, if South Africa meanwhile takes up the construction of the second and the third oil-from-coal plants, or if by co-operation of German and US expertise the job of building a plant 20 times the size of the existing Sasolburg unit is taken up — as the *Petroleum Economist* reports — India's project will be the fourth or the fifth in chronological order by the time it gets the final clearance. As Jan C Hoogendoorn, Manager, Process Division of Sasol said: "The design information for a Fischer-Tropsch plant is completely available and plants can be built without any technological risk."

XIV

Concluding Remarks

Whether the international oil interests like it or not, conversion of coal into oil and chemicals has to spread in the near future. In the US, the Fischer-Tropsch process or its variant is likely to emerge soon, even though its greater attention will be to SNG production. It can not afford to wait for direct hydrogenation of coal.

Our forecast is based on the following considerations:

(i) For normal economic and political reasons, the US cannot continue for long its heavy dependence on outside supplies of natural crude.

(ii) There is a great pro-Jewish influence in American public life. The US can get out of this dilemma only by resorting to synthetic crude production on a large scale.

(iii) "Up to now, coal-to-oil conversion has been simmering only fitfully on the oil industry's back burners."[20] Natural crude having been the oil industry's main profit interest, synthetic crude received much less attention. Although "most of the major oils acquired large coal-mine holdings and reserves as prudent insurance against some future needs", the oil industry's "only visible effort in coal conversion did not begin until 1971". That situation can no longer continue. The state will have to intervene as it did in the field of atomic energy.

(iv) Environmental considerations are going to be increasingly important. A conversion like F-T, which removes sulphur at source — that is, at the raw gas stage — will be welcome to the people.

Thus the earlier we start the process of conversion of coal into liquid fuels and chemicals, the better for us and the world. It will, moreover, give us one major benefit immediately. It will to some extent free us also of dependence on oil supplying countries and their pressure for increasing further the price of natural crude oil.

APPENDIX

I How Fischer-Tropsch Technique Operates

The Fischer-Tropsch process is essentially a method for converting a carbon monoxide-hydrogen mixture into hydrocarbons containing 1 to 50 or more carbon atoms with varying degrees of saturation. Various catalysts can be used, such as iron, nickel, cobalt and some copper catalysts that are usually promoted with metallic oxides of the alkali metals. Reaction temperatures range from 400°F to 600°F and the pressures from 1 to 30 atmospheres, depending on the catalyst used. The predominating products formed vary as a function of the ratio of hydrogen to carbon monoxide in the synthesis gas, the type of catalyst used, and the operating conditions.

For instance, increasing the relative amount of carbon monoxide to hydrogen results in the production of more carbon dioxide and olefinic compounds. Similarly, increasing the relative amount of hydrogen to carbon monoxide results in higher methane formation, water, and saturated products. In general, a ratio of two volumes of hydrogen to one volume of carbon monoxide is optimum for obtaining the maximum yields of petrol and fuel oils.

Promoted cobalt catalysts were used in German installations but in the United States iron catalysts were investigated because of their higher yield of more desirable products and lower costs.

(Koppers Report Submitted to Government of India, page 76.)

In Fischer-Tropsch reaction, the different reaction conditions, pressure, temperature, feed gas composition cause not only a difference in product selectivity, but also a difference in the properties of hydrocarbon products within the same boiling range.

(From "The Sasol Story" by Hoogendoorn, Manager, Process Division, Sasol.)

The F-T Synthesis does not require a given ratio of carbon monoxide and hydrogen in the gas but may be widely adapted to high-carbon monoxide, low-carbon monoxide gases.

(Lurgi Report to Government of India.)

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II Fischer-Tropsch Plant that Operated before and during the War

According to the Lurgi Report, the following are the plants which were erected for Fischer-Tropsch Synthesis just "in course of a few years", after the first industrial plant started operating in 1936:

	(Tonnes/Year)
Germany:	
Ruhrchemie Aktiengesellschaft	72,000
Gewerkchaft Victor, Rauxel	40,000
Steinkohlenbergwerk Rheinpreussen	70,000
Braunkohle-Benzin AG, Ruhland	170,000
Krupp Treibstoffwerk GmbH	60,000
Chemische Werke Essener Steinkohle	80,000
Hoesch Benzin GmbH	47,000
Wintershall AG, Werk Lutzkendorf	82,000
Schaffgotsch Benzin GmbH	40,000
France:	
Harnes (Kublmann)	30,000
Japan:	
Mike	40,000
Takikawa	100,000
Rumoi	50,000
Amagasaki	70,000
Manchuria:	
Fushin	50,000
Total	1,001,000

(*Source*: Lurgi Report)

III Profits of Sasol over the Years

	Profits (In Rand)	Sales Turnover (In Rand)
1960	1,355,000	16,400,000
1961	2,595,000	17,917,000
1962	3,611,000	21,000,000
1963	4,122,000	24,500,000
1964	4,255,000	23,250,000
1965	4,184,000	25,300,000
1966	3,977,000	33,000,000
1967	5,734,000	45,000,000
1968	5,968,000	51,500,000
1969	7,220,000	58,900,000
1970	7,640,000	72,200,000

IV Fischer-Tropsch Goes beyond Producing Crude

"The Fischer-Tropsch process does not produce a synthetic crude, but a semi-refined mixture of hydrocarbons of a relatively simple structure and completely free of sulphur and nitrogen compounds."

(Hoogendoorn in the "Sasol Story")

"... the primary products for the Fischer-Tropsch Synthesis furnish promising raw materials for further chemical treatment, because of the fact that they are entirely sulphur-free and of purely aliphatic structure."

(Lurgi Report to Government of India.)

V Production of Raw Materials for Chemical Industries and for Manufacturing Consumers' Goods

(*Source*: Lurgi Report)

In the United States more than 50 per cent of all organic chemicals, fibrous materials, plastics, etc, are produced nowadays from crude oil or its derivatives. An oil-from-coal plant will provide even a much more favourable basis for such production.

The Fischer-Tropsch products are entirely sulphur-free and their chemical structure is more clear as compared with mineral oil products. They are therefore predestined for any kind of chemical treatment.

Because of their aromatic structure the products derived from hydrogenation of low temperature tar as well as the phenols are well suitable as raw material for many chemical products.

An oil-from-coal plant including tar hydrogenation and Fischer-Tropsch Synthesis thus combines the possibilities of both petro-chemistry and coal chemistry.

This may be illustrated by the following examples:

(a) *Phenols*: Phenols are recovered as by-products from gasification, low temperature carbonisation and hydrogenation. By suitably operating the hydrogenation plant, the quantities of phenols derived from this process may even be increased considerably. The phenols are the basic material for the production of bakelite from which a variety of articles for daily use may be manufactured. The fabrication of pressed plates for use in the building industry and the manufacture of furniture might become of particular importance for India, since this would permit the utilisation of waste-timber.

(b) *Aromates*: During the second half of the last century, the aromatic hydrocarbons, *viz*, benzene, toluene, xylene, solvent naphtha, etc, have been the basis for the development of the organic chemical industry. The highly aromatic low temperature tar and hydrogenation products furnish the basic material for the production of numerous chemical products.

(c) *Solvent for the Lacquer and Plastics Industry*: The Fischer-Tropsch synthesis furnishes, in a controllable range, oxygen-rich by-products such as alcohols, ethers, esters and ketones which may be used as component for motor fuels and as a solvent or basic material for the manufacture of plasticisers for plastics.

(d) *Polyethylene*: Larger quantities of ethylene are recovered as by-product from both, the Fischer-Tropsch synthesis and the upgrading of the products to aviation gasoline, which may be worked up into polyethylene being one of the preferred plastics for the manufacture of semi-finished and finished articles. Because of its flexibility, resistance to corrosion, resistance to heat and electrical insulating properties the polyethylene has a wide range of applications.

(e) *Processing of Wax*: The Fischer-Tropsch plant affords the recovery of hard wax which is gaining an increasing importance in the packaging field. In addition to that, hard wax has a wide field of applications. It may furthermore be worked up into slab wax for the manufacture of candles, as and when required.

(f) *Processing of Olefines from the Fischer-Tropsch Plant*: The olefines may be converted into alcohols, ketones, etc. It would also be possible to produce, by way of the Oxo-synthesis, fatty alcohols which could be worked up into modern washing agents, detergents, etc, by means of sulfonation.

(g) *Production of Lubricants*: Both, the olefines from the Fischer-Tropsch synthesis and the production from hydrogenation are suitable for the manufacture of high-grade lubricating oils including aircraft motor oils.

(h) *Nitrogen Fertilisers*: The waste gases from both, the Fischer-Tropsch synthesis and hydrogenation, furnish an excellent raw material for the ammonia synthesis and the subsequent production of nitrogen fertilisers. This utilisation of the waste gases permits the production of fertilisers on a particularly economical basis.

Furthermore, urea may be produced from the ammonia and the waste carbon dioxide which are recoverable as by-products. Urea is gaining an increasing importance as fertiliser and cattle feed extender. Besides, it is more and more used for the manufacture of plastics and glue.

(i) *Insecticides and Herbicides*: Benzene, chlorine and alcohols may be used for the production of important insecticides, such as hexachlorocyclohexane and DDT. The aforegoing products are merely a few examples of the possible fields of application. All these working up methods require naturally the installation of additional plant equipment involving more or less high capital investments.

Notes

1 Oil exploration, it is also true, was not placed on scientific footing or given due importance.

2 Since these gases were obtained by passing steam which is vapour-phase water, the mixture of carbon monoxide and hydrogen were called the water-gas. Since this hydrogenated carbon monoxide is the basic requirement for synthesis into ammonia, methanol, etc, this is also often called synthesis gas.

3 It is being increasingly felt that the solution to the problem of tallow for the soaps lies in the Fishcher-Tropsch route of obtaining fatty acids from coal.

4 The means of producing this clean "power gas" and attaining higher efficiencies of power generating were discussed in the Oil Commentary of May 15, 1974.

5 It is reported that the Ministry of Mines and Metals has taken a decision to set up a plant for coal gasification. If it is for producing methane, it is a step in the wrong direction. If it is for producing carbon monoxide and hydrogen, which are essential for the production of both fertilisers and liquid fuels, it is an eminently desirable project. (Refer also footnote no 11 in this article.)

6 For details, see point I in the Appendix.

7 The chapter "Indirect Hydrogenation of Coal" by H H Storch in the book "Chemistry of Coal Utilisation" edited by H H Lowry, said the following about the Lurgi gasification process. "The high operating pressure of the Lurgi generator favours the production of methane and carbon *dioxide*. For Fischer-Tropsch Synthesis gas, neither is desirable."

8 The reasons why there could not be many more plants are discussed in Section V.

9 1 Rand is higher in value than a US dollar. Rand 0.672=1 US dollar. One Rand is equivalent to a little more than Rs 11.

10 These products are completely sulphur-free and nitrogen-free due to scrubbing of the raw gas with methanol.

11 Of course, if we have a pre-existing gas pipeline which is heavily underutilised, to that extent there is a case for producing methane. There may also be a case for supplying industrial fuel gas in certain cases. But if the methane production is sought to be taken to such a point that it produces a plea later for investment for stepping up pipeline capacity and distribution network to serve the domestic consumer, it would clearly be upsetting the priorities.

12 Federal Power Commission.

13 SNG is substitute natural gas. This is the name given to methane produced from coal or fuel.

14 The only proviso is that the contemplation has to be well advanced and the design and engineering organisation for construction of refineries has to be efficient and self-reliant. This is a requirement of planning which, in order to meet the turns of situation, has to keep its alternatives ready.

15 The case for Mathura Refinery rests only on one plea that there is no sign that coal production and coal transportation can reach the desired levels within the next five years. Thus it poses a question which has two aspects. One is the aspect of increasing the efficiency of coal production mechanism. The other is of mobilising the people to defeat the vested interests that have seized the mining areas and are impeding production. The plea that this country would not be able to tackle these problems and that the refinery has therefore to be built even at the risk of increasing the dependence on foreign sources is a counsel of despair. In any case the issue should be made clear to the Council of Ministers and the ball thrown in this Council's court for a decision.

Those who believe that Mathura Refinery should be constructed now and that the programmes for refining expansion should stop thereafter, forget that Parkinson's law operates even in the field of refinery population. If we are not capable of a determined lead for a change-over to indigenous resource-based planning now, we would have to plead five years hence for yet another programme.

16 There are some who argue that production of one million tonnes of synthetic oil is fleabite when the need is for 37 million tonnes by 1979. Thus they try to belittle its importance. This is a hortsighted, foolish argument, without an understanding of its potential.

17 The proportion has been indicated in section VIII, last para.

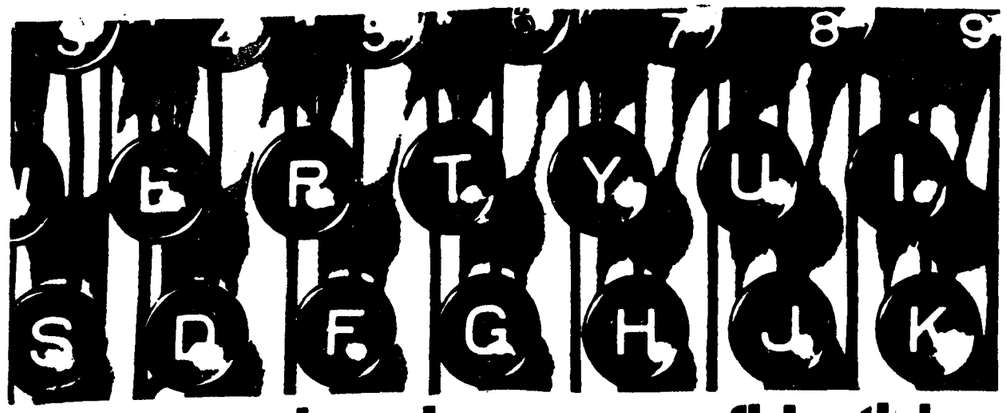
18 So far as this author is aware, there is only one scientist *in our own country* who hypothesises that the coal can be directly hydrogenated even in a low-pressure operation, with the help of an *active* hydrogen, i e, before hydrogen becomes H_2. All support should be given to such research projects.

19 This is because Sasol alone has the knowhow for the series of modifications it carried out in the Arge reactor, originally based on Lurgi design. This is the reactor that operates for a maximum of *heavy* hydrocarbons which we need. In this operation, *relatively* little gasoline is produced. It produces an excellent diesel. Besides, its straight-chain hydrocarbons are feedstocks for the production of chemicals. The other reactor, based on Kellogg process, produces mainly hydrocarbons in the gasoline range.

20 'Capturing Clean Gas and Oil from Coal', by Lawrence Lessing in *Fortune*, November 1973.

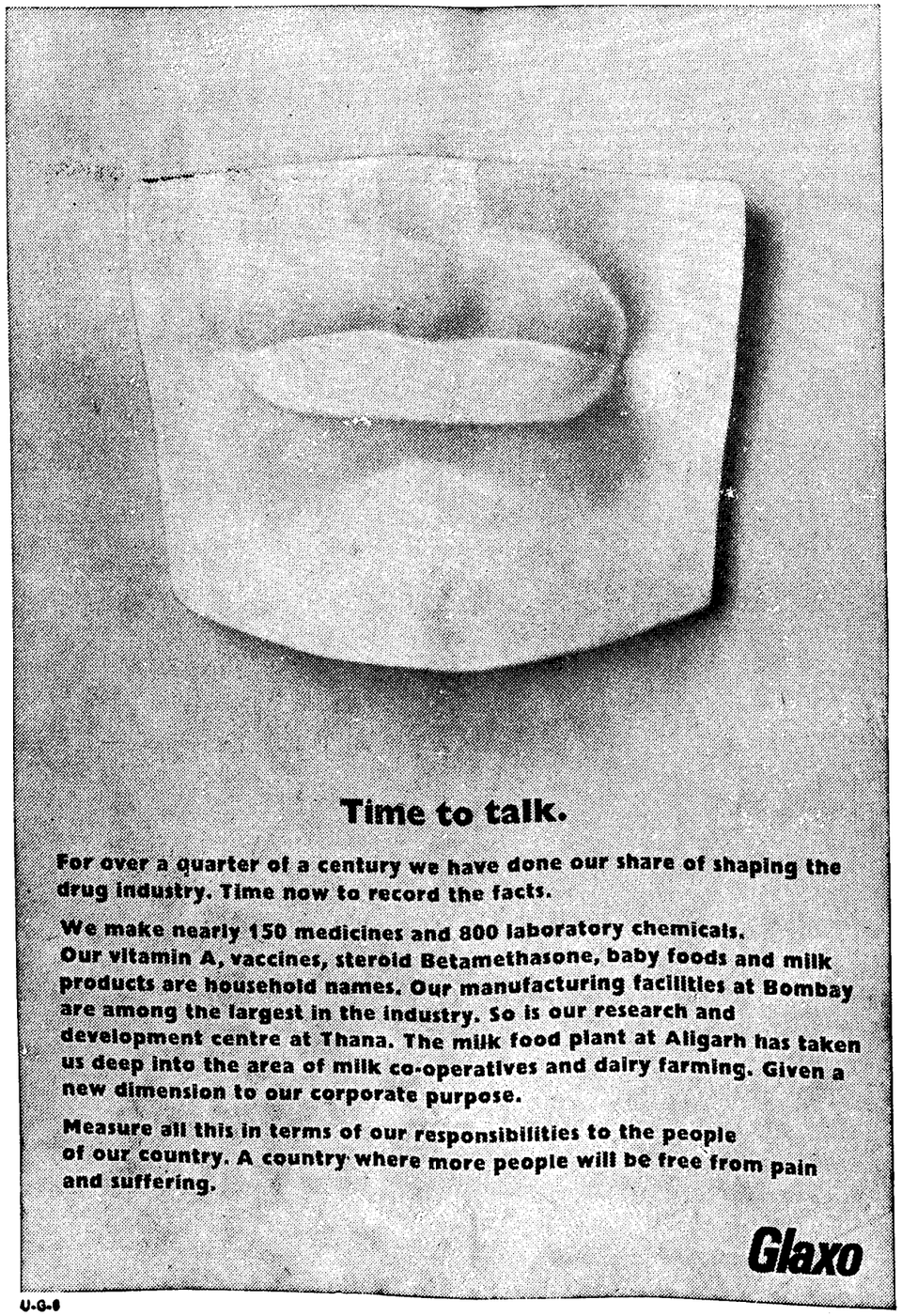
Nirlon Synthetic Fibres

NIRLON Synthetic Fibres and Chemicals' nylon tyre cord plant resumed production only last month, after being shut down for over six months due to caprolactum shortage, During the year to March 1974, production of nylon textile yarn was about 38 per cent lower than in the previous year and production of tyre cord was about 33 per cent lower. The management feels that production this year may not even match that in the previous year again because of the anticipated shortage of caprolactum. Considering the foreign exchange available with STC and the availability caprolactum from GSFC — which has started production recently — the chairman, S Vaidyanatha Aiyar, thinks the company will not be able to operate its plant to the full capacity. Last year, production of polyester filament yarn was to the full expanded capacity, but this year's production is expected to be lower as the raw material even for polyester yarn has become difficult to obtain. The polycondensation plant and machinery have been installed, and are likely to be commissioned shortly. But for this, too, the main raw materials, DMT and ethylene glycol, are unlikely to be available in adequate quantities. Nirlon's application for import of capital goods, needed in the expansion of textile yarn capacity to 4,200 tonnes, is still pending with government. The company proposes to set up a conveyor belting plant, and has been issued a 'letter of intent' for this.



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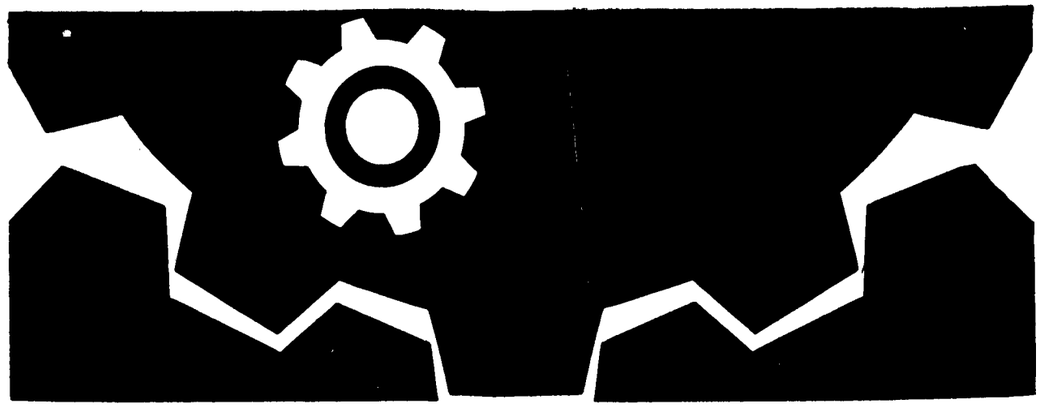
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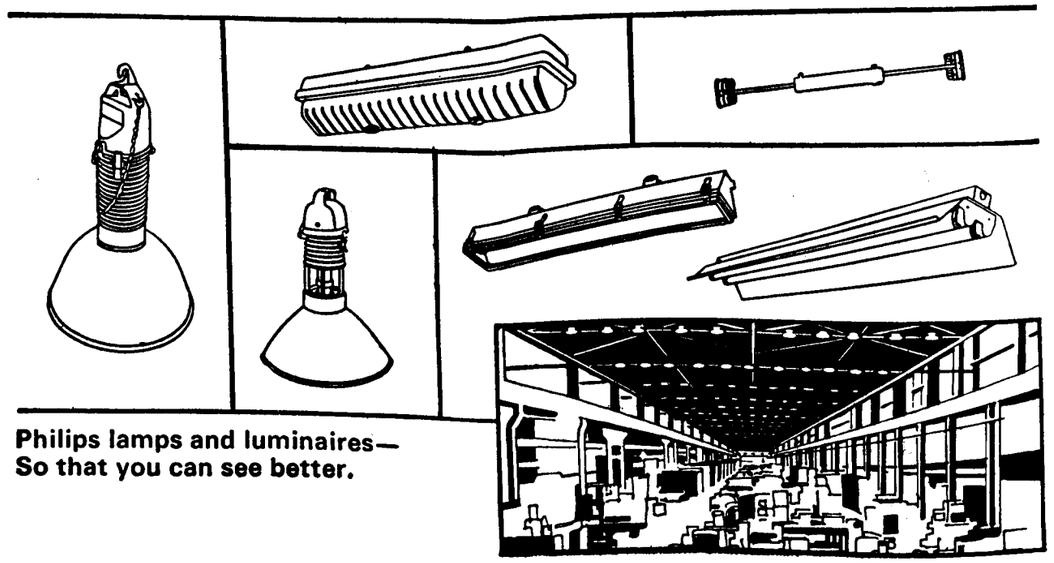
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False Alarms

IT was barely three months ago, towards the end of July, that the Reserve Bank was finally persuaded to introduce changes in its credit policy which could be expected to have some impact on the inflation. The monetary authority's action had come a good year-and-a-half too late, but pressures are already being mounted to force a liberalisation of credit policy. If the Reserve Bank succumbs to these pressures, it would have abdicated its responsibility to use the credit policy instrument for rational management of the economy rather than to suit the requirements of sectional interests. There have been no developments in the price, money supply or overall economic situation to warrant any liberalisation of policy with regard to either the availability of credit or its cost.

The current scare-mongering by spokesmen of private industry and trade is entirely without any basis and is nothing more or less than blackmail to bring about an even more favourable turn in the government's economic policies. This is best brought out by the plaintive noises being made by cotton textile industry. It is well known that the textile mills have seldom had it so good as in the last two years or so. Prices of upper medium, fine and superfine varieties of cloth have risen by between 75 and 150 per cent during this period and the better-equipped, modernised mills have shifted their production patterns in favour of these varieties in disregard of exports as well as their obligations under the government's controlled cloth scheme. It is these same mills which are now crying disaster. Allegedly they find themselves in such straitened circumstances financially that they are unable to pay bonus to their workers in one lump sum and might even be forced to work one shift less — which is to hold out the threat of throwing many thousands of workers out of employment. The Indian Cotton Mills Federation has submitted a memorandum to the Finance Minister asking for a liberalisation of credit to its member-mills. Even without waiting for the Finance Ministry to act, various powerful personages have already rushed to the rescue of the textile industry. The Governor of Gujarat, for instance, is reported to have intervened with banks to secure larger credit for the Ahmedabad textile mills.

This supposedly desperate situation has arisen, if the textile industry is to be believed, because the trade — which, incidentally, is controlled by none other than the kith and kin of those who control the textile mills — is refusing to lift stocks. Also, it is alleged, cloth prices have "tumbled". What is curious is that there is little evidence of this so far in the retail prices of cloth; in any case, even the decline in prices which the industry claims has taken place is a fleabite compared to the rise which had preceded it.

In essence, the textile industry's manoeuvre is a relatively simple one. This is the beginning of the cotton marketing season and the mills want bank credit to finance cornering of cotton by themselves and by their allies in the trade. The relatively low prices at which the mills acquire their supplies of cotton now will, one may be sure, have no bearing on the prices of cloth, now or later. Cotton prices will, as usual, zoom later in the season and these prices will be used to justify hefty increases in cloth prices, irrespective of the fact that the more powerful mills would have acquired much of their supplies of cotton at substantially lower prices at the beginning of the season. The case of the textile industry can be generalised, with minor variations.

The actual trends in credit expansion in the last five months since the end of the busy season do not suggest an unbearable credit squeeze by the commercial banks. Between the end of April and October 11, bank credit for purposes other than food procurement expanded by Rs 200 crores. Though this may be lower than the credit expansion of Rs 294 crores in the corresponding period of the last slack season, in the light of the phenomenal credit expansion in the busy season it does not speak of any undue credit stringency. Further, account has to be taken of the substantial return flow of credit which should have taken place from some of the seasonal borrowers. For instance, the sugar industry's stocks are currently about one-third of their level in March; this industry alone should, therefore, have returned around Rs 100 crores to the banking system during this period.

The continued high level of bank credit should also be judged against the trends in industrial output and investment. Industrial output remained stagnant in 1973-74. In fact, the CSO's general index of industrial production has remained virtually static since the first quarter of 1972 when it was at 201.4. In the first quarter of 1974 the index was 204.1. Even there-

after many of the major industries have reported declines in output. For instance, finished steel production declined by about 6 per cent in the first half of 1974; production of cement has fallen by over 7 per cent in the first eight months of 1974; in cotton textiles, output of both cloth and cotton yarn has declined by 1 to 2 per cent; vanaspati production has declined by 6 per cent. In coal, the growth of output has been lower at about 2 per cent in the first half of the year against a rise of 6.7 per cent in the corresponding period of the previous year. It is very unlikely that the overall level of investment in 1974-75 would be higher than that in 1973-74. Since in 1973-74 also there had been no rise, the level of investment will thus have been stagnant for the second successive year.

Neither does the monetary and price situation warrant a higher level of credit. The official index number of wholesale prices (base 1961-62 = 100) is, at 329.5 in the week ended September 21, 31.5 per cent higher than a year ago, as against a rise of 20 per cent during the previous one-year period. Compared to the position a year ago, the price situation has definitely deteriorated. In the current financial year upto September 21, the general index had risen by 16.1 per cent as against a rise of 14.6 per cent in the corresponding period of 1973-74. Every major commodity group and sub-group, except industrial raw materials, as well as a number of major commodities have shown higher increases during the current fiscal year. Food articles have risen by 20.4 per cent as against 18.6 per cent last year. Among food articles, foodgrain prices have risen by 30 per cent as against 10 per cent in the previous year. In machinery and transport equipment, the price rise so far this year works out at as much as 21.4 per cent against 4.5 per cent last year. The rise in prices of manufactures was 11.9 per cent against 9.5 per cent. Among manufactures, prices of cotton manufactures have gone up by 15.1 per cent against 5.7 per cent last year. The same has been the trend in all other groups, except 'industrial raw materials'. But then the prices of industrial raw materials had risen phenomenally by 37.6 per cent in 1973-74 over and above a rise of 31.3 per cent in 1972-73. Therefore, the rate of increase this year had to be more moderate, if only because of market resistance. On the whole, there are no signs of any improvement in the price situation.

On the monetary front, it may seem that the growth in money supply during the first half of the current fiscal year has been lower than in the previous year. Money supply had expanded by about Rs 148 crores upto October 4 against an expansion of Rs 417 crores during the corresponding period of 1973-74. However, this is not the whole story. The smaller increase in money supply is largely the result of a decline in the foreign exchange assets of the banking sector to the extent of Rs 146 crores compared to an increase of Rs 51 crores in these assets in the corresponding period of 1973-74. The expansion in bank credit to the commercial sector has been more or less of the same order as in the previous year, Rs 324 crores against Rs 347 crores last year. Net bank credit to the government sector, however, has risen by Rs 614 crores against Rs 923 crores in the comparable period last year. Within this the decline has been substantial in Reserve Bank credit to government, Rs 300 crores this year compared to Rs 747 crores. Here lies the rub. On the basis of the treasury bills issued and changes in the government's balances with the Reserve Bank, the Central government's deficit as on October 4 stood at the whopping figure of Rs 825 crores. Thus, though the Reserve Bank's holdings of treasury bills are relatively low at present, the large volume of these bills which are now held by others would get rediscounted with the Reserve Bank in the coming months. The small rise in Reserve Bank credit to the government, which is responsible for the lower rise compared to last year in net bank credit to the government as well as in overall money supply, is thus likely to be a passing phenomenon. Considering the demands being made on the Centre by the state governments for drought relief, etc, and the likely deficit in the Railway budget, it is entirely unlikely that the state of the Centre's finances will show any startling improvement in the rest of the year. Therefore, there can be little hope of restraining the Central government's budgetary deficit even at a level of, say, Rs 500 crores, let alone the Budget's figure of Rs 126 crores. The fiscal situation is certainly not such as to encourage any relaxation of monetary policy.

A liberalisation of credit policy, it is being argued, is called for to tackle the recession. But the recession is not a phenomenon which has suddenly descended upon the economy with the arresting of the rising trend in the prices of a handful of items; it has been with us for a long time and is to be traced not to any changes that have occurred with regard to the cost and availability of commercial bank credit, but to the low levels of investment, particularly public sector investment, which have now persisted, with minor variations, for almost a decade. In the circumstances, the pumping in of short-term capital in the form of commercial bank credit will be of no avail. The objective of raising the cost of bank credit and restricting its availability was, quite simply, to discourage withholding of supplies from the market. It would be an act of irresponsibility if this objective is now abandoned in the face of pressures from private industry and trade.

West Europe

Inert Politics

BUKHARIN had once talked of an idealised short-term 'equilibrium' among the various classes and groups in the Soviet Union in the post-revolution period. A similar kind of equilibrium, it seems, is descending upon the various countries of Western Europe. Various forms of parliamentary democracies continue to be the exclusive pattern for Western Europe; Greece too now has reverted to conformism, with Spain the sole, uncertain holder-out. But an *ennui* is very much in evidence. The electorate in each and every country, on this side of the ideological divide, finds it hard to choose between the various parties clamouring for attention — as if it did not really matter whom it chose. So much so the choice is about evenly divided in election after election.

Thus, in France, the candidate of the Right is barely able to outpace the candidate of the Left in the Presidential election; in West Germany, the uneasy coalition of the Social Democrats and the Free Democrats still manages to stay in power, but the supposedly Right-wing opposition continues to breathe down its neck, and the opinion polls indicate that a fresh election would indeed end in a dead heat. In the United Kingdom, Harold Wilson's polyglot Labour Party, riven by internal dissension on the issue of the relationship with the EEC, has finally managed to win an absolute parliamentary majority; but the majority is paper thin, and the country would continue to be mostly ungovernable. In Italy, national sentiment appears to be about evenly divided between loyalty to the traditional Right and support for the communist-socialist combine currently surging forward. The referendum on the issue of the retention or the confirmation of the Divorce Act has made it clear that Italian conservatism is no longer the monolith it once was: there would not have been stronger evidence of the converging equilibrium of emotions than the fact that, for the first time since the end of World War II, there is a strong group of opinion within the ruling Christian Democratic party for the induction of the Communist party into government. Up north, in the Scandinavian lands, an identical trend is at work: the long, unilateral dominance of socialist groups and parties has come to an end, and the parliaments in these countries have begun to bear witness to the phenomenon of near-matching of numerical strength as between groups which were hitherto considered to be ideologically wide apart.

Once a certain standard of living has been assured for the general mass of the electorate, and full employment is either already accomplished or is round the corner, political warfare tends to enter the zone of apathy. Little local problems continue to exercise the contending parties; here and there problems of inequality and retarded development evoke controversy and emotions; issues of inflation, productivity and wage adjustments remain to cloud the economic horizon; there is often the feeling of excruciating claustrophobia following from the incapability to assert a distinctive West European ethos in response to the moves and counter-moves of the two major superpowers.

But none of these has the inner strength to generate an urge for qualitative overhaul of the structure of politics. Suddenly, all ideologies seem to have forfeited their relevance and zest in the European context. There could be no greater irony, since everyone of the imposing ideologies which, at one time or another in the past three centuries captured the imagination of political activists, has had its origin in the West European soil.

Agriculture

Carrot for Rich Farmers, Stick for Farm Workers

OVER 900 casual labourers working on the farms of the Mahatma Phule Agricultural University in Rahuri, in Ahmednagar district of Maharashtra, have been on strike since October 7. Their demands are that they be made permanent employees and given work throughout the year instead of for 4 to 6 months in a year as at present. They are also asking for wages equal to those of the University's Class IV employees. The farm workers have been organised by the Lal Nishan Party, which is leading the strike. The University authorities have refused to talk with leaders of the Lal Nishan Party. Instead, they have been trying to break the strike with the help of the students and a section of the employees. The striking workers forcibly prevented the agricultural operations from being carried out by the other employees. The University authorities responded to this by calling in the police and 16 workers, including women, were injured by tear-gas shells and in lathi charges by the police. The police also arrested 93 striking workers, 52 of them women. The University is now heavily guarded by the police and the authorities are carrying out the farming operations with the help of students and other staff members under police protection.

In their efforts to break the strike of the agricultural workers, the authorities of the Mahatma Phule Agricultural University have the full support of the state government. This is because if the workers' demands are conceded at this University, casual agricultural workers in the other three agricultural universities in the state at Akola, Parbhani and Dapoli will make similar demands. The extra expenditure as a result of granting the casual workers' demands will call for larger grants to these Universities which the state government is not prepared to make. The government is, however, pretending that it has nothing to do with the developments at the Rahuri Agricultural University which, it is pointed out, is an autonomous body.

When it comes to agricultural workers, the Maharashtra government counts its pennies. But the same government is generous with its subsidies and hand-outs to the large farmers. It is well known that it winks at, and even encourages, large overdues of irrigation charges and loans taken from co-operative credit institutions. Or take the press release issued by the government on October 16 which says, *inter alia*, "Sanction is accorded to the payment of subsidy of Rs 23,50,000 to the State Electricity Board towards reduction in tariff minimum for supply of power for agricultural pumps. The amount represents the 5th monthly instalment of the 10 instalments commencing from May 1974 in which the estimated annual subsidy of Rs 2.35 crores is proposed to be released to the Electricity Board." The same press note, incidentally, adds: "Another sanction is accorded to the payment of a subsidy of Rs 5.50 lakhs to the Electricity Board on account of supply of power to Khandelwal Ferro Alloys Limited and Universal Ferro and Allied Chemicals Limited at concessional rates."

The state government has recently announced that in addition to granting liberal taccavi loans, farmers using CHS-1 hybrid jowar seed will be entitled to free medical treatment of the crop grown out of this variety of seed. Irrigation water from government canals is to be supplied free for the 'ratoon' jowar crop in the current rabi season. And farmers who carry out bunding of water by earthern dams will get a subsidy of Rs 50 per hectare. The state government will also grant a subsidy of Rs 50 per hectare to paddy farmers who use lift irrigation water for summer paddy.

Thus, in the name of raising agricultural output, the state government every year distributes crores of rupees as largesse to the rich farmers. Against this, if the four agricultural universities in the state were to concede the demands of the casual labourers for security of service and marginal increases in wages, the cost to the universities or to the state government will not exceed a few lakhs of rupees a year. Yet one may be sure that even if the demand of the casual labourers of the Mahatma Phule Agricultural University comes before the state cabinet, which is unlikely, it will be promptly turned down on the ground of lack of resources. The University authorities may be told by the government that they will be free to concede the demand of the labourers provided the additional expenditure is met out of the University's own resources. But this will be as good as rejecting the demand.

Cabinet Reshuffle

Assurance to Smugglers

THE alarums and excursions are over for the present, and the seventh cabinet reshuffle since the 1971 Lok Sabha election is now an accomplished chore. The inner compulsions of the ruling party have played a dominant role in the reshuffle; the Prime Minister's personal proclivities have come in only at the margin — as, for example, in the award of the Ministry of Finance to C Subramaniam rather than to T A Pai. There is, however, the rather curious case of K R Ganesh which deserves some comment.

Ganesh, who had in recent weeks shot into prominence because of his demonstrated initiative in moving against the smugglers, has been moved out of Finance and made Minister of State in the Ministry of Petroleum and Chemicals. The shift, official sources have taken pains to inform the nation, has been made at Ganesh's own request and on grounds of ensuring 'ideological

affinity' between the various ministers presiding over a particular ministry. The implication obviously is that Ganesh, with his known Leftist leanings, would have found it difficult to establish a working rapport with C Subramaniam.

The government's laboured explanation is, however, unlikely to be taken at face value. Most people will be inclined to link the transfer of the minister, who had spearheaded the drive against the smugglers, as an overt rebuke administered by the Prime Minister for having pre-empted official decision-making. Rumours have been that the government's hands were forced on the issue by Ganesh's surprise announcement in Parliament of the names of a number of allegedly top smugglers. Once these names were mentioned, perforce the government machinery had to move in. To erase the impression of a reluctant Prime Minister being dragged into the arena, it was even given out that the anti-smuggling operations were being carried out under her direct supervision. The point was emphasised even by a special broadcast arranged for her on the All India Radio as the operations moved into gear.

Since this much is public knowledge, the general public will reach their own conclusions over *l'affaire* Ganesh. In the present mood of cynicism — a mood which has solid objective basis, given the government's past performance —, the shifting of Ganesh from Finance will be taken to indicate high-level opprobrium of the anti-smuggling initiatives displayed by him. It could also be considered as a warning to others who, carried away by their ideological, or even more severely personal, enthusiasm, would like to indulge in populist bravado.

At the other end, smugglers and profiteers will consider Ganesh's seeming demotion and disgrace as an assurance that the present government will not outstrip the limits of 'reasonableness' — one or two seasonal bouts of heroics are going to be there, but by and large it will allow the hucksters the privilege of live and let live. The behaviour of the commodity market in Bombay immediately following the cabinet reshuffle could be taken as at least a partial indicator that the bulls too are believers in the present system.

Kerala

Kuttanad Project Hits the Shoals

A Correspondent writes :

KUTTANAD in Alleppey district is one of the major rice producing areas of Kerala. The region suffers from the serious disability of being low-lying. The bed level of the fields is between 0.6 metres and 2.1 metres below mean sea level, which means that monsoonal floods are frequent, occurring once every few years. The loss of paddy due to floods has been estimated at 35,000 tonnes in 1961-62, 40,000 tonnes in 1966-67 and 35,000 tonnes in 1968-69. This year again there has been substantial crop loss due to floods. In addition, there is the problem of intrusion of salt water into the irrigation canals as a consequence of tidal action. This creates salinity in the irrigation water and damages standing crops. For these reasons, over most of Kuttanad only only one crop can be harvested.

The Kuttanad Development Project was conceived of as a solution to these problems. It envisaged the creation of 1,966 kilometres of permanent submersible bunds to protect the standing crop from being washed away by floods. In addition, as a separate project, a salt water barrier was planned at Thannermukkom to prevent intrusion of salt water. When the bunding was completed, the additional yield of paddy per year from the 1.24 lakh acres of land covered by the bunds was estimated at 1.5 lakh tonnes. In addition, it was planned to plant some 3.15 lakh coconut trees along the bunds, which would yield about 13 million nuts per year.

The bunding was expected to be completed within six years of commencement of the project, i e, by 1978-79. The cost of the bunds was put at Rs 19.96 crores. Altogether, the project was expected to cost Rs 26.75 crores.

According to the Scheme, as soon as the bunds were completed in an area, a second rice crop was to be grown there. As a result, it was expected that there would be an increase in output of over 8,000 tonnes in the very first year of the project; by the sixth year the additional production was expected to reach 1.49 lakh tonnes.

The execution of the Scheme was entrusted to a newly-floated agency called the Kerala Land Development Corporation (KLDC). The Agricultural Refinance Corporation was to make funds available to the KLDC for the actual bunding, while the Corporation's establishment expenses were to be met by the state government from its budget.

The KLDC was launched with much trumpeting two years ago. And, naturally, it expanded rapidly with the proliferation of departments such as engineering and agriculture. Naturally also, talent being very scarce in this country, and most of it being concentrated within the precincts of the secretariat, most of the senior staff were deputationists, who drew a special 20 per cent deputation allowance while on duty at the KLDC. This allowance alone came to about Rs 2 lakhs per year. In all, the establishment expenses of the KLDC soon rose to over Rs 24 lakhs per year.

If the KLDC had worked according to the schedule set for the project, it would have constructed over 300 kilometres of bunds by now. Instead, it has constructed barely one kilometre — in two years of operation! The KLDC's original schedule was to spend Rs 80 lakhs on bunding by March 1974. Later a *post facto* evaluation led to the target being scaled down to Rs 40 lakhs, which money was withdrawn from the ARC into the credit of the KLDC. Of this, however, barely Rs 2 lakhs has been spent so far. As for the Rs 375 lakhs worth of bunding worth that the KLDC was to implement before June 1975, the latest estimate is that at best Rs 50 lakhs worth will be completed.

The KLDC thus has the unique record of having spent nearly half-a-crore of rupees from the state government's impoverished exchequer to execute Rs 2 lakhs worth of works! Even the state PWD — not particularly renowned for its standards — can boast of a better record. As a consequence of the dismal performance, the KLDC is in danger of having the ARC refuse to sanction the Rs 16 crores that it had promised for the second phase of the project.

An artistic finish has been added to this squalid performance in the shape of a report by a special officer deputed by the Kerala government to oversee the implementation of the scheme. This worthy, a retired accountant, has pinpointed what in his opinion was the reason for the KLDC's poor performance — the fact that the engineering wing is headed by a person who is "not very senior in service". Thus, what is called for is to replace him "with a person who is either of the Chief Engineer's rank or who is next in the line of promotion as Chief Engineer". Presumably a retired Chief Engineer would be even better.

In the meantime, Kerala continues to have a 50 per cent cereal deficit.

Making the Most of It All

Hansavivek

GARWARE NYLONS is diversifying its activities. It is already setting up a project for manufacture of polyester filament yarn with a capacity of 360 tonnes per annum, which is expected to go on stream during the second quarter of 1975. Steps have been taken also to instal a depolymerisation plant for recovery of caprolactum from polymer waste. This plant is expected to be commissioned by about the same time as the first plant. The company proposes to participate in a joint venture to be established in Malaysia for production of man-made fibres. Terms and conditions of the proposal are being negotiated with the State Development Corporation of Negri Sembilan, Malaysia. The company has negotiated, along with other companies in the Garware group, for acquisition of 49,500 equity shares of Rs 10 each in Blundell Eomite Paints from Blundell Permoglaze Holdings of the UK at Rs 20 per share. The paint company has to reduce its foreign shareholding to be eligible for further expansion of business.

During 1973-74, GNs production increased considerably though supply of its main raw material, caprolactum, was scarce owing to shortage in the international market. Nylon yarn production rose from 1,390 tonnes to 1,609 tonnes, against the installed capacity of 2,394 tonnes. During trial runs, production of polyester filament yarn increased from 23 tonnes to 137 tonnes, and that of nylon chips from nil to 40 tonnes. While sales were 76 per cent up at Rs 8.56 crores, gross profit more than doubled to Rs 3.10 crores. Both inventories and wages in relation to sales were markedly lower compared to in the previous year. Dividend is maintained at 12 per cent.

The company has been advised that it is entitled to a higher rate of development rebate applicable to industries engaged in the manufacture of articles specified in Schedule V to the Income-Tax Act. The Act, however, requires that development rebate reserve, of at least 75 per cent of the development rebate to be actually allowed, will be made by debit to the profit and loss account of the relevant previous year. In order to avail of this benefit, accounts for the three years ended March 1973 have been amended. The net effect is that general reserve, which stood at Rs 52.75 lakhs, Rs 80.40 lakhs, and Rs 83.80 lakhs, as at the end of 1970-71, 1971-72, and 1972-73, respectively, has been revised to Rs 51.40 lakhs, Rs 78.37 lakhs, and Rs 29.61 lakhs, respectively. Correspondingly, the amount standing to the credit of development rebate reserve has also been amended to read as Rs 31.75 lakhs, Rs 33.34 lakhs and Rs 160.23 lakhs as on March 31, 1971, 1972, and 1973,

The Week's Companies (Rs in Lakhs)

	Garware Nylons		J K Synthetics		Fibreglass		Khatau Makanji	
	Latest Year 31-3-74	Last Year 31-3-73	Latest Year 31-12-73	Last Year 31-12-72	Latest Year 31-3-74	Last Year 31-3-73	Latest Year 30-6-74	Last Year 30-6-73
Paid-up capital	216	216	400	400	160	160	254	180
Reserves	393	207	2150	1800	85	56	205	229
Borrowings	568	609	1190	1179	139	45	408	440
of which Term Borrowings	456	471	526	637	116	45	113	89
Gross fixed assets	1286	1181	3928	3460	355	205	1042	941
Net fixed assets	925	918	2664	2395	264	129	340	285
Investments	—	—	76	76	—	—	30	30
Current liabilities	175	170	1377	1149	165	83	514	298
Current assets	427	283	2374	2052	279	209	1011	832
Stocks	235	154	601	640	170	117	728	678
Book debts	149	124	644	706	105	59	270	144
Net sales	856	490	2531	2142	489	293	1775	1372
Other income	12	7	67	75	7	6	47	23
Raw material costs	220	137	522	544	117	75	516	487
Wages	76	50	289	244	70	54	493	408
Interest	57	41	56	95	9	2	54	63
Gross profit (+)/loss(—)	310	149	973	763	144	81	247	83
Depreciation provision	99	71	308	298	15	15	50	51
Tax provision	—	—	255	125	86	38	122	17
Net profit (+)/loss(—)	211	78	410	340	43	28	75	15
Development rebate provision	140	127	95	62	1	2	5	3
Transfer to reserves	45	—75	234	215	28	12	46	—
Dividend			P 9	9				
Amount	E 26	26	E 72	54	E 14	14	P 2 E 22	2 22
Rate (per cent)	E 12	12	P 9.50 E 24	9.50 18	E 9	9	P5.20 E 10	5.20 10
Cover (times)	2.73	—	4.25	5.00	3.00	1.85	3.09	0.45
Ratios (per cent)								
Gross profit/sales	36.21	30.42	38.44	35.62	29.45	27.64	13.91	6.05
Net profit/capital employed	17.93	7.56	10.96	10.06	11.19	10.72	8.65	1.77
Inventories/sales	27.45	31.55	23.75	29.88	34.76	40.00	41.01	49.42
Wages/sales	8.88	10.20	11.42	11.39	14.31	18.43	27.77	29.73

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for Rs 30.41 lakhs, Rs 31.31 lakhs and Rs 106 lakhs, respectively. Furthermore, out of abundant caution, the company has provided Rs 140 lakhs towards development rebate reserve during 1973-74. This has resulted in excess provision of development rebate reserve of Rs 103.20 lakhs, which is proposed to be adjusted in subsequent years.

Commenting on the scarce and irregular supply of caprolactum, the chairman B D Garware stresses the need to generate enough capacity for its manufacture, either by permitting new units in the public, private, or joint sector, and also by encouraging the existing unit of Gujarat State Fertilisers to expand to the possible extent. He emphasises that the indigenous product should be reasonably priced while measuring up to the expected quality and required standards.

J K SYNTHETICS intends to further expand and diversify its activities and has amended the objects clause of its memorandum of association to include manufacture of fertiliser, raw materials for synthetic fibres, industrial gases, caprolactum and methanol. Meanwhile, it is seeking a further increase in the capacity of synthetic staple fibre plant to 2,650 tonnes per annum, based on export obligation. Its application for expansion of the production capacity of the nylon tyre cord plant, to 1,600 tonnes per annum, has been already approved by government. The machinery manufacturing project was formally inaugurated in November last. A contract has been secured along with Karl Fischer West Berlin, with whom JKS has already entered into a collaboration agreement for manufacture of machinery for production of synthetic fibres, for supply of plant and machinery and technical knowhow to Indian Petrochemical Corporation for its polyester yarn project. The cement project was delayed owing to the non-fulfilment of delivery commitments by the suppliers of plant and machinery on account of power crisis. Meanwhile, the company has obtained a 'letter of intent' to expand capacity by 4,20,000 tonnes to 6,72,000 tonnes per annum. While steps are being taken to implement the acrylic fibre project, an application has been made for extension in the validity of the industrial licence. The technical collaboration agreement with an Italian firm has been approved by government. JKS has received approval from the governments of Kenya and India for setting up a synthetic yarn plant in Kenya with a capacity of about 5.3 tonnes per day. Steps are under way to implement the project. The company's research centre has completed a process of differential dyeable nylon yarn known as 'Nova-colour Nylons', for which a patent has been applied for. Also, a process has been perfected to recover DMT from polyester waste. During 1973, the company had to contend with shortages of raw materials and power. The overall performance, however, has been satisfactory, with higher sales and profits.

FIBREGLASS PILKINGTON has erected direct melt 'E' glass tank and has initiated trial production. This facility is expected to be fully established this year. Efficiencies on 'E' glass have been low so far because of the need, due to scarcity, to use marbles from several sources. A major requirement for sucessful operation in this field is very precise and consistent glass compositions. The company is looking for improvements when its own indigenously manufactured 'E' glass is available to it. The company's insulation division has been doing well — particularly because of the uninterrupted working, as improvements in technical operation enabled the company to avoid the need of a furnace rebuild. Sharp increase in prices and short supplies of some competing materials, which are oil derivatives, offered additional opportunities. Continuous filament sales, however, were adversely affected by the sharp rise in prices of petrochemicals that quadrupled prices of resin, which comprises some two-thirds by weight of fibreglass reinforced plastic products. Even so, the company has produced good results for the year to March last, with sales up by 67 per cent and gross profit higher by 78 per cent compared to the previous year. The board recommended a dividend of 12 per cent but had to reduce it to 9 per cent on account of the dividend restrictions imposed by government. Exports, which were barely Rs 3 lakhs last year, are to be stepped up significantly this year, but the directors point out that this is possible only if costs can be contained and the company's assets put to optimum use.

KHATAU MAKANJI SPINNING AND WEAVING has recently completed its 100 years of existence. Originally established with 25,000 spindles and 230 looms, the mill today has a licensed capacity of 1,31,080 spindles and 1,494 looms. The company produced excellent results last year, with gross profit increasing nearly threefold at Rs 247 lakhs, the highest in its career, following only 29 per cent rise in sales. Dividend, maintained at 10 per cent, was covered over three times times against less than 50 per cent last year. Both the ratios of wages and inventories to sales were considerably lower, compared to the previous year. These results have been obtained despite all-round rise in costs. The directors comment that, in view of the doubling of the obligation for production of controlled cloth, increase in cost of fuel, stores, power, water, and higher interest charges, the rate of profitability cannot be maintained in the future. The company continues to pursue the modernisation programme by replacing the old machinery.

RAMON AND DEMM, which increased production from 754 tonnes to 772 tonnes during the year ended March last, expects to achieve this year an output of about 1,100 tonnes. This should increase the turnover to around Rs 4.50 crores, against Rs 3.09 crores in 1973-74 and Rs 279 crores in 1972-73. According to the chairman, H K Shah, sales in the first five months of the current year more than doubled, at Rs 188 lakhs, compared to Rs 90 lakhs in the same period last year. The company is going ahead with its expansion programme. The application for the import of machinery has been cleared by Government. Additional buildings are to be completed by the end of this year. Meanwhile, the Controller of Capital Issues has accorded consent to the issue of bonus shares on a four-for-five basis.

UNIVERSAL STEEL AND ALLOYS has installed a second arc furnace with an annual capacity of 18,000 tonnes and expects to commission it shortly after adequate power has become available. The company has also taken up manufacture of special and alloy steels, for which there is a growing demand. Meanwhile, in the first year of production, it produced 7,798 tonnes of steel ingots against the installed capacity of 10,800 tonnes—owing to the erratic power supply and the drastic power-cuts in Haryana. The company made a gross-profit of Rs 9 lakhs on sales of Rs 121 lakhs. After depreciation, the profit was less than Rs 2 lakhs.

SHRIRAM FIBRES reports sharp rise in the capital cost of its nylon tyre cord project from the original estimate of Rs 800 lakhs to Rs 1,220 lakhs, on ac-

count of 'tremendous increases' in prices of all items. The company intends to meet a part of the escalated cost by issue of rights shares of Rs 93 lakhs, and the balance by borrowings from financial institutions and banks. The directors say that escalation of the project cost is not likely to affect adversely the profitability. The plant is expected to go into production shortly.

THE FOURTH ESTATE

The Price of Dissent

Nireekshak

THE confrontation between the editor of *Hindustan Times*, B G Verghese, and the owners of the paper, the Birlas, was not altogether unexpected (see 'Fourth Estate', September 28). What was unexpected, and is perhaps unprecedented, is the near-unanimous support which the editorial staff of the paper has extended to Verghese. The staff has formed a committee to resist his removal.

The chairman of the board of directors of the paper, K K Birla, has denied that the management's action was prompted by pressure from the government. The government has matched this with its own denial of any hand in the affairs of the paper and in the termination of the editor's services. However, the committee of the staff of the paper feels that the timing of the management's decision and the circumstances in which it was taken as well as the efforts of the management to block the publication of its correspondence with Verghese constitute a double threat to the freedom of the Press and the independence of the editor — "first, the interference of the proprietors in the editor's exercise of professional obligations and, secondly, governmental pressure on the proprietors".

The management of *Hindustan Times* served six months' notice on Verghese on September 1. This was just two days after the publication of the editorial "Kanchengunga, Here We Come" which had severely criticised the proposal to give Sikkim representation in the Indian parliament and to make it an 'associate state'. According to the notice served on him, Verghese was expected to give up the editorship at the end of February next year. But the issue seems to have hotted up with Verghese insisting that he should be communicated the grounds for his removal and asserting his right to publish the correspondence between him and the management. The management has been consulting lawyers about getting an injunction against the release of the letters on the ground that all except one were clearly marked 'private and confidential'.

Ironically, B G Verghese was the first Press Adviser to a Prime Minister in this country. Nehru never felt the need for such an adviser. Shastri did not have one, though news management began to be pronounced during his 18-month tenure. Asoka Mehta is credited with the idea of a Press Adviser for Indira Gandhi, ostensibly to create a new rapport between her and the Press. The induction of Verghese into the position irked the career information officers of the Central Information Service and there was a great deal of sniping at him at the time.

Verghese returned to journalism as editor of *Hindustan Times*. After what appeared to be an erratic start, the new-look *Hindustan Times* began to make its presence felt on small issues first and larger issues later, until it acquired the character of a dissenting paper, of course within the parameters set by the Establishment. At any rate, it ceased to be a conformist paper.

It was no secret that leaders of the Congress and the government were displeased with the paper's editorial policy and approach to news. There was much gnashing of teeth, for instance, when the paper gave the Prime Minister's last new year's-eve press conference, a hardy annual, single column treatment, which is all that it merited in terms of news. Other papers had gone to town over the press conference — presumably because, to them, the very fact of the Prime Minister speaking is big news. *Hindustan Times*' investigative reports on corruption in government could not have been received with joy in the Prime Minister's camp. Neither could the story of the large number of foundations stones of projects which the Prime Minister had laid on the eve of the UP elections, preempting both the Planning Commission and the Plan, have been too well received. The paper followed up the progress of these projects in the post-election period and found that they had not moved an inch beyond the foundation stone stage.

There were reports at the beginning of 1974 that Verghese would be quitting soon. His relationship with the management was known to have been tenuous for quite some time because those in power had made known to the proprietors their displeasure over the paper's policies. After all, those who talk the year round about delinking newspaper ownership from big business have to look to the Press barons when an editor proves to be inconvenient. Similarly, editorial chairs are filled only after the nominee has been cleared by those who matter in the government. Unfriendly editors are made to fall in line through friendly advice dispensed to the proprietors by 'well-wishers' in the government. Can friendly advice and warning be construed as interference in the functioning of a fress Press?

The least the management of *Hindustan Times* could have done to establish its *bona fides* was to have communicated to Verghese the grounds on which he was being removed and to have left the rest to law. Its failure to do so and its reported threat of legal action if Verghese published the correspondence suggests there is more to the situation than meets the eye.

The government and the ruling party are certainly not above putting pressure on newspapers whose policies they do not like. And there have been cases where such pressure has extended to securing the removal of recalcitrant editors. It is now public knowledge that the editor of *Janashakti*, the Gujarati daily of the *Free Press* group, was eased out during the Congress split under pressure from the ruling party. The editor made this fact public in his farewell editorial. He disclosed that a certain Central Minister had tried to put pressure on him to get him to change his editorial line. It was after these efforts had failed that he was removed.

The National Union of Journalists was quick to support the editorial staff of *Hindustan Times*, while the Indian Federation of Working Journalists was busy with its conference in Poona, listening to pontifications by khadi-clad VIPs to whom it looks for patronage. Much as it would like to be seen fighting the Birlas, the IFWJ might have to content itself with formal pronouncements of shock and anger because Verghese is not a 'committed' editor in the sense in which the .. IFWJ leadership understands that expression.

A New Delhi Diary

A M

AMORAL city, city which is a compendium of bargaining counters, a stockyard of all-too-transparent motives and manoeuvres. V K Krishna Menon had long become an unperson here; he ceased to embody power as many as a neat dozen years ago. His death, therefore, receives only a fleeting mention in the capital's newspapers. Priorities must be set right: the state of Bakhia's health hogs more space; and, have you heard, so-and-so had dinner with the Prime Minister last Saturday, something sensational must be about to break. Neo-colonialism, though, remains neo-colonialism: the British and American papers really go to town and write long editorial pieces on Krishna Menon's life and political contributions; consternation in the capital; hasty amends have to be made; the newspapers, after an interval of a full forty-eight hours, take editorial cognisance of Menon the departed. But where is the scope for astonishment, this cultural pattern is well-established: after all, New Delhi talks of a wage-price policy only when an Edward Heath or a Harold Wilson has already expiated on it.

Unreal city. Amoral city. In his last few years, Krishna Menon had nothing to offer anybody, so pass him up. The memory of the halcyon fifties is not for this city. Talk to the Africans or the Latin Americans. For several years, for them India was the crusade against imperialism and colonialism. India was Krishna Menon; the crusade against imperialism and colonialism was Krishna Menon. Krishna Menon, the dark, tall, gaunt, sickly individual, who instilled the fear of God into the North Americans and Europeans. Thanks to him, those who were continuously at the receiving end of taunts and derogatory treatment from the colonials, got back their pride.

Their day would be made as soon as Krishna Menon would begin to lash out at the ragamuffins who were scheming and conspiring against the world's poor and underprivileged. The State Department and the American Congress hated him; the hatred was well earned. If it were at all possible, the Republican party would have impeached him — the ogre with the walking stick, who subsisted by drinking gallons of that sinister potion, otherwise known as tea, and on little else. That Mephistopheles from out east, get him if you can.

New Delhi is in a jam. NATO foreign ministers used to shiver in their shoes the moment Menon walked into the United Nations General Assembly. The London *Economist*, moved by impotent rage, used to write spiteful pieces about him. Come to think of it, these constituted a unique tribute to India's role in international affairs during that phase. Inverted colonialism should have operated in full swing. Who did or said what in response to Krishna Menon's this or that act of mischief-making could now have been recollected in zestful detail; snobbery of a grotesque sort could have broken free. The occasion of the cantankerous fellow's death could have been turned into a gala carnival of nostalgia. That is not possible. For an altogether simpliciste reason. Menon's name has got associated with the memory of the drubbing received from China in 1962. An unfortunate denouement, it being a matter of joint supply, to remember all those wondrous exploits of Krishna Menon will also mean once more making a person of an unperson. Trust that man to put the elite of this capital city in such a predicament. Such a great pity that Menon's death cannot be celebrated with proper eclat; the liability for this minor tragedy has to belong to the man himself. Therefore, condemn the fellow even though he is dead. No pleasure can be extracted from the phenomenon of his death. This, to say the least, is atrocious. The city is fuming.

Excellent News Sense

Unreal city, city without co-ordinates. The city's newspapers print full-blown pictures of a group of jawans in Bihar, all smiles, dragging the carcass of their quarry along the ground; it is a street scene from Patna; in Bihar, the jawans were out a-hunting and the particular game shot happened to be a young boy of thirteen or fourteen. You examine the picture, your day is made, such excellent news sense displayed by the photographer; what a gay, happy lot the jawans are! Unreal city, amoral city. Those laying down its ethics will short-change their own mother if that would help the flow of some extra gravy toward their direction. Decoy city, now recovering from the trauma of the visit of the Iranian emperor and his consort. City without scruples, the Shah is no longer to be referred to as just 'Shah', he has become Shahenshah. Bow before him, lick his boots, he can dispense bounty, ingratiate yourself to him, garnish your lingo with the right subservience, he has largesse to bestow upon you and me. This particular tyrant may preside over one of the most oppressive regimes anywhere any time, he may shoot two to three thousand peasants on a regular basis every year; thousands of students may at present be locked away in prison by him and subjected to unspeakable torture. But these are now unfacts, to be ruled out of order; for the tyrant is lush with money. Precious doles are a-coming, so how does it matter whether the dole-dispenser has students for breakfast and impoverished peasants for dinner? One of the city's newspapers has congratulated the authorities, and by association itself too: the official bandobast during the Shah's visit was foolproof, there was not a squeak of a protest demonstration. Even so, nothing is perfect in this world, the newspaper has gone on to lament: a group of Iranian students somehow managed to put up a few anti-Shah posters at the entrance of one of the capital's universities. How this scandalous accident could occur must provide the staple of thought for any number of committees and enquiry bodies to be set up now.

Amoral city, city without scruples, where the gentry receive near-basmati rice at maybe Rupees 1.50 per kilo from the ration shops, while in the rest of the country you can offer to pay four times as much for the coarsest of rice and not obtain any. Amoral city, its roads get wider and sleeker, the construction boom perhaps pre-empts as much as 15 per cent of the total steel and cement the nation can spare for building activity. Unreal city, the admiral's or maybe the field marshal's, daughter comes to college to take a course in diplomacy or what-have-you, has a sudden crush for the dishevelled youth who talks of the necessity of revolution, and instantly begins to consider herself a Naxalite. Unreal city, it is a passing phase, she will get over it. Unreal city, the posh new architecture could be on the outskirts of Rome or Milan, Nice or Marseilles; but the *jhuggis* next to the elegant structures are as filthy and desolate as those in darkest Calcutta; every few weeks, at dead of night or in the early hours of the morning, the police will mount well organised surprise swoops; the *jhuggis*, which were put up without authorisation by the wretched tramps, will be demolished; and the land will be restored to the Development Authority which will see to it that more of posh constructions come up uninterrupted. Unreal city, the hike in the petrol price

evokes an appropriately sympathetic response from the authorities; more buses are overnight put on the road, at strategic points with increased frequencies and at subsidised rates; the transport problems of senior civil servants and their families must be duly taken care of — the Guardians are there to protect the Auxiliaries. Absurd city, where the runway at the airport is three times as long as would be needed by the biggest of the jumbo jets, so much so that, of all places in the country, it takes the longest here to disembark following the landing of the plane. Unreal city, the affluent housewives too are as unreal as anywhere; they indolently read about starvation deaths elsewhere in the countryside, overcome by boredom they throw the morning's paper on the floor, get up, manoeuvre the car out of the garage for their stability round of golf. Unreal city, city given to centripetal gossip, gossip about who arrives and who departs, who was not dropped for what reason in the cabinet reshuffle, who is to be dropped in the next one, who is to be included or elevated, who is getting which slot where. Vulgar issues, but given the garb of life-and-death problems. Unreal city, glorious lights, dazzling boulevards, but a dead city, where the phenomenon of famine and deaths are a trite matter. Those who die are on the other side of the bridge, the are expendable; and, besides, don't you know, King Kissinger is coming.

Unreal city, whore city, city with a total capital stock of amorality which benumbs you. Whore city; at about this time, last year, it welcomed General Secretary Comrade Brezhnev with a million hugs and kisses. This is *caravanserai*: in the present season, it is Secretary of State Kissinger who is coming, and all the flags are out, all the ersatz emotions are on display, for, once more, there is the scent of money. Unreal city, where Jawaharlal Nehru once preached mail-order socialism, where the Bhupesh Guptas parodying themselves perform in the manner of drugged circus animals. Unreal city, crooked to the core, while Krishna Menon would stalk the stage, solo, and the vocabulary of anti-imperialism and Afro-Asian solidarity rolled off the corner of his contorted mouth others would work extra time to sell ideology down the drain.

An age of romanticism is to be followed, so it is alleged, by one of pragmatism. But New Delhi is for ever. Duck takes to water, New Delhi takes to bigamy. The cultural norm must be taken with dead seriousness: fend for yourself, cut corners, betray your friends, prevaricate, be a careerist, there is no greater call than the religion of survival, unreal city teaches you how to survive and expand. Your hypocrisies are not merely for ceremonial occasions, they finally define you. Meanwhile, deceive and survive. Those who fail to learn the art of survival become unpersons; their *jhuggis* are raided by the police at midnight, they are ejected into the wilderness of the ridge. Unreal city, here only the fittest survive. The fittest are those who can sharpen cards. Whore city, she will give her body to you provided you carry ready cash, and in plenty. The Shahenshah has departed, Henry Kissinger is arriving, the flags are out. The trumpets sound.

CAPITAL VIEW

Playing Ministerial Chairs

Romesh Thapar

ONE cannot but wonder at the psychological state of Cabinet Ministers shunted and shifted from pillar to post, for no apparent reason, and compelled to smile their way through the debris of one shake-up after another. The same faces reappear in the pictures. They are differently positioned, unsure of seniorities and with a few more creases in their very creased faces. So it has been in the latest operation, the seventh in three years. The eighth, a part of the unfinished seventh, is promised within a week.

What is the worth of another "analysis" of this meaningless game of ministerial chairs. Let me confine myself to capturing something of the informed reaction in the Capital. Here goes ...

Bandwagoners, partial and full-blooded, see the operation as a move towards rationalising portfolios, putting the right minister on the right job. You'd think that this simple principle had always been observed, but then that would be naive. Cabinet-making, the selection of a Council of Ministers for a subcontinent, is a complex business of balancing castes, regions and ideologies. As for capacity, skills, experience, that is a marginal consideration.

The over-suspicious, who don't trust the lady at 1 Safdarjang Road, see the game differently. A leftist "coup", they say — and even if the D P Dhars, the Raj Bahadurs, the Nurul Hasans and Raghunath Reddys disappear in the second instalment which is promised. Well, it is difficult to decipher the Left and Right, but if P N Haskar arrives in the Planning Commission, there will be a lot of such talk. He was and is considered a symbol by 'lefty' friends and admirers who are eager to re-focus the spotlights on themselves.

The cynics, and their number increases with each day, point to the way in which the exercise was conducted. An essentially party matter was entrusted to bureaucrats. Carefully arranged leaks in the Press were designed to pre-test public reaction. Everyone was made to understand that the Prime Minister's senior-most colleagues would have to forget their "preferences", would have to learn to be disciplined followers. The message certainly went home, but does India get a more efficient, more credible government?

Hard-headed observers note the humbling of Jagjivan Ram — and all the talk of auspicious rain falling around the swearing in time cannot hide this fact. Swaran Singh must be sore about his inexplicable removal from External Affairs unless Defence is now seen as a core portfolio. Dixit's banishment, for that is what it is, should hurt him deeply. Chavan should be speculating on who will make the pace at the Foreign Office. Could he not have gone back to Home where Brahmananda Reddy will now rule. Subramaniam and Pai — and, of course, money-gatherer Barua — must be happy. In a way, K D Malaviya too. The rest is marginal, and so many are still wondering whether they will come under "transfer" like D P Dhar.

Poor thing! What can she do? The party is a dump of second-raters and third-raters. Where is the talent? She has to make do with what is available. And there are the usual considerations of caste and region and ideology. A lot of poppycock. Excuses. Excuses. Excuses. The Congress party has a younger leadership. It has to be reorganised. It is not servile. It watches the elders make a merry mess, is unable to act, as yet. Indira Gandhi is no longer a leader of the young.

Peripheral comments are interesting. Not a bania or Guju (Gujarati!) in sight, and they are the ones who know the tortuous world of money. The strangest yardsticks are obviously used to decide who qualifies for the Cabinet — certainly not performance potential. The young activists who have won their spurs in various ministries keep watching for an opening to real power. Inexplicably, a Chattopadhyaya makes it. Not a Pant, a Gujral, or a Mirdha. An explanation? There is none.

We are now saddled with a government that is going to be with us until the general elections — or at least so it seems. The elections, according to the present speculation, may be next year or the year after. This means that the burden of men like L N Mishra will be carried by the party, unless the plan is to shed them in mini operations, quietly, as some crisis or the other obliges. What's the matter with a continuous or running shuffle of the Council of Ministers until a working credibility is established? A possibility when key decisions in all portfolios are now taken in the Prime Minister's secretariat.

At this point, the soft, sad voice of a still committed man is yet to be heard. When will we hear of a minister refusing to be aimlessly shuffled? When will these heirs of Gandhi and Nehru develop the stomach to resign? When will we be able to point to men of character and substance in our political life? When? There are no answers, only an embarrassed silence. And, then, humorous asides about a puppet show.

So much for informed reaction to the game of ministerial chairs. There may be excitement in the rural areas about what goes on, but certainly not in the towns. That's probably a reflection of where political interest survives. Yes, it is serious, this gap in political reaction, between town and village. And on the top of it, in Bihar, comes Jayaprakash Narayan's call to establish a parallel government.

The rain had better keep falling. It is on time, according to the Hindu calendar. We may still pull through. That is, if the farmers have followed their traditional calculations and not been confused by the usual weather forecasting of the Government of India ...

October 14

FROM OUR CORRESPONDENTS

BALANCE OF PAYMENTS

Living on Borrowed Money

IN a period of less than six months, India has borrowed thrice from the IMF — first under the compensatory financing facility, later under the gold tranche and finally under the first credit tranche. These borrowings total about Rs 370 crores. And before the current calendar year is out we will have borrowed once more from the IMF, under the Fund's new 'oil facility'. The government has announced that it will soon avail of this facility and that details in this regard are being worked out. The details that are being worked out, it is evident, relate not to our requirements of foreign exchange to be met by borrowing but to the maximum amount that we can borrow under this arrangement. The government's appetite for borrowing abroad is apparently insatiable.

The IMF's oil facility is meant to assist member countries to meet the impact of the increases in the prices of petroleum and petroleum products on their balances of payments. The resources made available under this facility will be in addition to any assistance that members may obtain under the IMF's normal facilities. The "maximum amount" that can be borrowed under the oil facility has been fixed at the extent of the increase in the cost of the member's net imports of petroleum and petroleum products over 1972 or 75 per cent of the member's quota, whichever is lower. However, since the resources at the disposal of the IMF for lending under this facility are limited, the amount that a country can actually borrow has been set for the present at 35 per cent of the "maximum amount" as defined above. The increase in the cost of a country's net imports of petroleum and petroleum products is to be calculated by multiplying the volume of its net imports in barrels by $ 5.50.

It is possible to work out roughly what India can borrow under the oil facility according to this formula. Our imports of petroleum goods were about 116 million barrels in 1972. The increase in the import cost would thus be around $ 638 million (116 million x $ 5.50). India's quota in the IMF is SDR 940 million or around $ 1,120 million. Since 75 per cent of India's quota will work out to much higher than the increase in the import cost of petroleum goods, the "maximum amount" in our case is given by the latter which is $ 638 million. Since we can borrow only 35 per cent of this "maximum amount", we can raise around $ 223 million under the oil facility from the IMF before the end of 1974. The figure of $ 200 million indicated by the government is, therefore, a slight underestimate and in all probability our actual borrowings are likely to be nearer the figure indicated above.

Press reports indicate that the funds available for the oil facility in 1975 are likely to be much larger. The total amount at the disposal of the IMF under the oil facility for 1974 is around $ 3.2 billion, all of which has come from the oil exporting countries. As the current year passes these countries will have accumulated further huge surplus balances which they will find increasingly difficult to employ gainfully. The estimated increases in the disposable balances of oil exporting countries, after meeting their import requirements, are estimated to be around $ 60-65 billion in 1974 and nearly $ 70 billion in 1975. Given the fact that investment opportunities in their own countries are limited, these countries are expected to contribute more liberally to the IMF's oil facility in 1975. The oil facility in 1975 is placed at around $ 6 billion as against $ 3.2 billion in 1974. On this basis it appears that India might be able to borrow about $ 400 million under the oil facility in 1975.

Apart from the oil facility, India can also consider borrowing under the newly-devised extended fund facility of the IMF. As under the oil facility, repayments under this arrangement start 3-4 years after the disbursement of the loan. Under the extended fund facility India can borrow as much as $ 1,000-1,200 million if it can convince the IMF that funds of this order are required for financing its balance of payment deficit. This should not be difficult at all. And in addition to what we can borrow from the IMF, some of the oil exporting countries like Iran and Iraq are also willing to lend us money against export of specific commodities in repayment of the loans.

All in all, it thus appears that if the government is so inclined, it can borrow very large sums of money abroad. What these large loans will be used for is, of course, a different matter. The Fifth Plan is as good as not there. The loans that are being raised abroad will mostly be used to finance imports of consumer goods like foodgrains or so-called 'maintenance imports' which also go to meet

the consumption requirements of the economy. Imports, financed by reckless borrowing abroad, are thus to be used to avoid the hard decisions required, for instance, to force producers and traders to disgorge hoarded stocks or to keep conspicuous consumption under check.

That this is a very short-term approach hardly needs to be pointed out. It may be possible, given the availability of willing lenders, to finance imports to sustain consumption in the economy with borrowings abroad this year and the next and the year after. But how much longer? Sooner rather than later, the problem of servicing the debt that is being merrily accumulated will have to be faced. But perhaps in the government's view that is a matter for a future set of politicians to worry about.

Internal Assessment System

Report on a Seminar on Examination Reform

A R Momin

THE system of examination is the most obnoxious anachronism in our educational set-up. It is refreshing to note that a new awareness with regard to the inadequacy of the examination system is dawning on our social scientists and educational planners. The publication of a pamphlet on examination reforms by the University Grants Commission is indicative of this awareness. It is in this context that the Seminar on Examination Reforms sponsored by the University of Bombay on August 24 deserves the attention of academics, educational planners and the interested public.

The focus of the Seminar was on the internal assessment system introduced by the University of Bombay from the year 1973. The participants in the Seminar represented the various Departments from the arts and science faculties of the University of Bombay, some local colleges and students. A major highlight of the Seminar was the presence of Edwin Harper, Director of the Educational Research Bureau, Allahabad, a distinguished educational psychologist who has done extensive researches relating to examination reforms. The Seminar began with the customary introductory and welcome speeches and an inaugural address by the Vice-Chancellor, T K Tope. After the Vice-Chancellor's speech, Edwin Harper gave his keynote address on examination reforms. Harper began by underscoring the point that there is no single formula of examination reforms which would be applicable to all educational institutions with equal validity and effectiveness. The question of examination reforms, he stressed, should be viewed in the context of the academic and socio-cultural setting of a university. The thrust of Harper's critique of our examination system was directed at the external method of assessment and evaluation. He referred to a number of empirical studies relating to the question of the reliability and authenticity of the external assessment system and said that all such studies point to a uniform conclusion: that the exernal system of examination and assessment is largely unreliable and inadequate so far as an objective evaluation of the students' performance is concerned.

Harper offered a massive critique of the external system. In the first place, the external mode of examination is chiefly a test of the student's physical stamina: the pattern of questions and the expectation of answers is such that over 90 per cent of the student's time is devoted to writing and only 10 per cent to thinking. Moreover, the external system is undemocratic in spirit because of its over-emphasis on verbal expression as a criterion to judge the student's ability. But linguistic ability, he pointed out, is closely associated with socio-economic status. The economically better placed people send their wards to public schools which provide better opportunities for the development of verbal expressiveness. Students who come from the rural areas and those who are educated in municipal schools may be lagging behind in verbal proficiency and so it is undemocratic to assess their educational ability and achievement in terms of a set linguistic category.

Harper made a forceful and convincing plea for the adoption of the internal assessment system as an ideal method of assessment and evaluation and commended the lead given in this direction by the University of Bombay. He also offered a number of suggestions with regard to obtaining reliability of results and objectivity of assessment. He suggested the introduction of a relative grading system as recommended by the Education Commission and the UGC. In this system, a grade (unlike a 'mark') has the same meaning in all subjects.

Harper's talk was followed by presentation of papers and notes on the working of the internal assessment system. While everyone welcomed the introduction of the internal system, a few pleaded for a switch over to a complete internal system, in place of the existing compromise formula of 60 per cent internal and 40 per cent external. Others felt that in a period of transition like this it is advisable to have a combination of both. The papers highlighted the difficulties faced by the various Departments in implementing the new scheme and offered suggestions to eliminate certain inconsistencies and limitations of the new system, in the light of the needs and requirements of each Department. The problems of the employed students who constitute the bulk of postgraduate students were also pinpointed.

The business session of the Seminar focused on Harper's ideas on examination reforms. Most participants shared Harper's critique of the external assessment system which he held to be responsible for academic impoverishment among Indian students. Most participants also agreed that Departments should have autonomy and flexibility in evolving their own methods of teaching and assessment in keeping with their needs and requirements. Most speakers were of the view that the syllabus should not be laid down in a rigid fashion by the University, but rather be left with each Department, preferably with the teachers concerned.

There was a general agreement about the desirability of having an examination panel for the reassessment of the student's assignment. Most speakers were also of the view that the student should be given a chance to improve his grades. Most participants felt that trust in the teacher's integrity was a basic condition for the effective working of the internal assessment scheme.

A Seminar need not necessarily end up with definitive conclusions and decisions. The fact that it facilitates a meaningful communication and exchange of ideas and experiences on relevant issues and problems is itself a token of its success. Judging by this criterion, the Seminar served a useful purpose by bringing into light certain major issues relating to examination reform which is becoming a significant point of debate and discussion in centres of higher learning in our country.

MAHARASHTRA

The Programme that Crashed

IN August 1972, anticipating a possible decline of 15 mn tonnes in the kharif crop following widespread failure of rains, the Central government launched the Emergency Agricultural Production Programme (EAPP), popularly known as the rabi crash programme. Under this programme, the Maharashtra government submitted to the Centre 13 schemes involving a total expenditure of Rs 50.66 crores. The Centre sanctioned 10 of these schemes together with a medium-term loan of Rs 24.96 crores for them. In addition, Maharashtra was sanctioned a short-term loan of Rs 16 crores for seeds and fertilisers. Thus the state was sanctioned Rs 40.96 crores by the Centre under the crash programme. In his budget speech on February 19, 1973, Maharashtra's Minister of Finance claimed with pride that "the state government was quick to take advantage of [the crash] programme and secured the lion's share of it".

Under the crash programme — decided upon in consultation with the Centre — the Maharashtra government planned to bring substantial additional area under wheat, gram, jowar and summer paddy (Table 1) with corresponding expectations about increases in output (Table 2). The state government actually spent Rs 27.52 crores on the ten schemes, for which the Centre had sanctioned Rs 24.96 crores.

Special Report

In a special report, the Comptroller and Auditor General of India has reviewed the implementation and achievements of the crash rabi programme in Maharashtra (together with the crash scheme for rural employment in the state during 1971-72 and 1972-73). The report brings out that the implementation of the crash programme was tardy, that the physical achievements fell far short of the targets and that a large part of the expenditure on the programme went to benefit rich farmers, contractors, suppliers of equipment and materials, etc. Table 1 shows that, despite the crash programme, the area under the various crops in the 1972 rabi season was lower than in a normal year instead of being higher. Table 2 shows the shortfalls in output compared not only to the targets but even to the output in a normal year.

That the results of the crash rabi programme should have been so dismal is not surprising in the light of the actual implementation of the various schemes taken up under the programme, as brought out in the CAG's report. These schemes were (i) lift irrigation in the state sector, (ii) minor irrigation in the state sector, (iii) extension and improvement of existing irrigation systems, (iv) construction of field channels in the command areas of irrigation projects, (v) energisation of tubewells, (vi) cooperative lift irrigation schemes, (vii) energisation of wells, (viii) percolation tanks, (ix) speedy completion of minor irrigation works, and (x) energisation of wells with pumps. The CAG's report points out that there was a saving of Rs 23.88 lakhs on schemes number (ii), (iv), (v) and (vi) as the expenditure incurred was less by that amount than the funds received from the Central government for these schemes. "The unspent balance was neither refunded to Government of India nor was permission of the Government of India taken for reappropriation of the savings to the schemes on which expenditure had exceeded the allotment."

In all 415 lift irrigation schemes involving an expenditure of Rs 13.26 crores, with an irrigation potential of 88,000 hectares, were proposed under the crash programme. However, only 366 works estimated to cost Rs 13.35 crores, with an irrigation potential of 78,178 hectares, were actually taken up for execution. Out of these 366 works, the CAG's report points out, only 15 had been completed by March 1973 and 70 more were completed by May 1973. The state government told the CAG that, out of the 281 works still incomplete at the end of May 1973, 134 would be completed by December 1973 and 32 more by June 1974. Since only 15 of the 366 schemes had been completed by March 1973, the lift irrigation part of the crash programme had virtually no impact on the availability of irrigation during the 1972 rabi reason. The CAG's report brings out a number of cases of delays and financial irregularities in the implementation of lift irrigation schemes. For instance, it discloses that in Chanda, Poona and Sangli districts advance payments of Rs 12.27 lakhs made to various firms remained unadjusted till November 1973; of this amount, advance payment of Rs 9.77 lakhs was made to a firm for supply of RCC pipes in Sangli district which had stopped manufacture of the pipes.

Not Foodgrains but Sugarcane

As many as 25 lift irrigation schemes costing Rs 4.27 crores, out of the proposed total expenditure of Rs 13.35 crores for the whole of the state, were taken up in just Sangli district. What is even more curious is that the esti-

Table 1: Area under Different Crops — Targets and Achievements

Crop	Targets			Achievements		
	Normal	Additional	Total	Normal	Additional	Total
Wheat	8.80	4.75	13.55	3.88	3.53	7.41
Gram	3.50	2.23	5.73	1.36	3.56	1.92
Rabi jowar	33.50	2.00	35.50	18.59	7.31	25.90
Sunflower	0.06	0.40	0.46	0.001	0.001	0.01
Safflower	3.36	0.25	3.61	1.77	1.04	2.81

Table 2: Production of Different Crops — Targets and Achievements

(lakh tonnes)

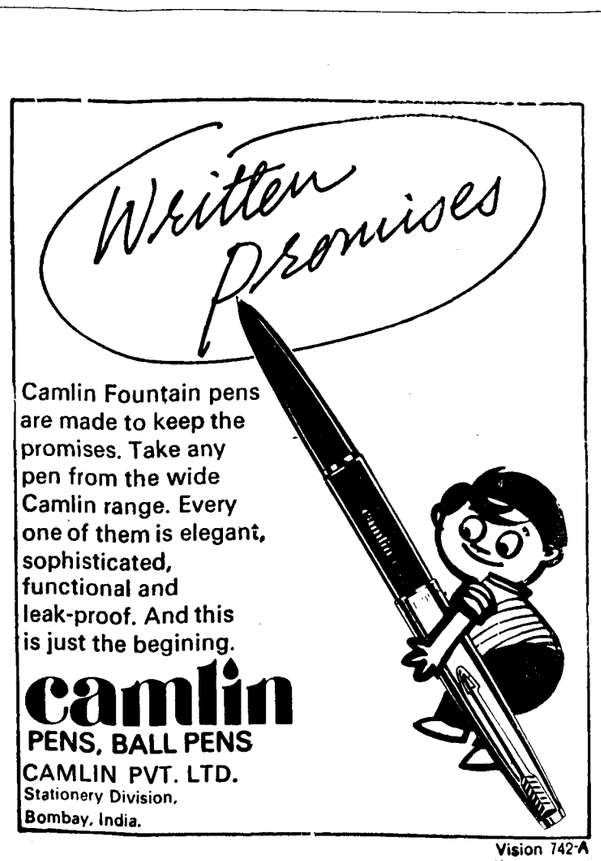
Crop	Target			Actual Production (including that under the Crash Programme)	Rabi Production		
	Normal	Additional	Total		1969-70	1970-71	1971-72
Wheat	4.33	6.60	10.93	2.48	3.90	4.51	5.02
Gram	2.63	0.33	2.99	0.40	1.01	0.99	1.33
Rabi jowar	13.97	No Target	13.97	3.80	12.98	6.94	8.34

mates for these works were prepared by a co-operative sugar factory in the district and the works were designed to provide irrigation to the lands of the members of the factory for growing not foodgrains but sugarcane, even though sugarcane was not covered under the crash programme. After this it is perhaps superfluous to add that Vasantrao Dada Patil, Minister for Irrigation and Power, hails from Sangli district and controls a large sugar co-operative there.

The CAG's report brings to light many cases of irregularities and delays, and consequent loss to the government, in the purchase and use of steel plates, machinery, etc. Supposedly to enable quick purchase of materials and equipment for the crash programme, the state government in September 1972 relaxed the normal procedures and appointed a high-powered committee to centrally arrange purchases by inviting 'limited' quotations. Orders of the value of over Rs 4.5 crores were placed in this manner. However, despite the centralised arrangements for purchase, the CAG's report points out, the state government did not have the figures of actual expenditure on such purchases. In 51 out of the 84 divisions entrusted with the implementation of the works, pumps, pipes, chain-pulley blocks, girders, etc, valued at Rs 1.52 crores out of total purchases of Rs 1.94 crores had not been used or installed till May 1973. Further, out of the total quantity of 5,173 tonnes of steel (plates, rods, girders, etc) purchased, 996 tonnes were purchased in the open market at rates higher than JPC prices on grounds of urgency, involving an extra payment of Rs 15.98 lakhs. And yet as much as 2,949 tonnes of steel valued at Rs 44.15 lakhs remained unutilised till November 1973. On the other hand, in Chanda, Nanded and Poona districts, trenches were dug to lay pipes for lift irrigation works. But the trenches got silted because of non-receipt of the pipes and rainfall in the intervening period. Out of 93 tanks (7 irrigation and 86 percolation) taken up in ten districts, only two percolation tanks had been completed by March 1974. The report is full of such examples of uncompleted and abandoned road works, after expenditures of lakhs of rupees had been incurred.

The state government received a short-term loan of Rs 16 crores from the Centre for the supply of inputs like seeds and fertilisers to farmers. The CAG's scathing remarks on the mal-distribution of high-cost seeds brings out how a part of this large sum of money was used to line the pockets of the rich seed-growers. Against the total requirement of 4.85 lakh quintals of seeds (3.67 lakh quintals wheat and the rest other crops) for the 1972 rabi season, the state government procured 3.13 lakh quintals (2.9 lakh quintals wheat) and distributed 2.9 lakh quintals (2.7 lakh quintals wheat). Thus procurement of seeds fell short of estimated requirements by 1.72 lakh quintals and even out of what was procured seeds worth Rs 20.93 lakhs remained unutilised. The state government ordered that the undistributed balance of wheat seeds (19,000 quintals, valued at Rs 18.53 lakhs) be disposed as grain through fair-price shops! Despite the shortfall at the state level, in Aurangabad and Bhandara districts seeds were distributed in excess of requirements. In Aurangabad as against the estimated requirement of 19,107 quintals, 33,464 quintals were distributed.

The state government assessed the requirement of fertilisers at 54,469 tonnes of N, 35,840 tonnes of P and 27,500 tonnes of K. But the state received 61,835 tonnes of N, 14,707 tonnes of P, and 25,027 tonnes of K. This left fertilisers worth Rs 4.01 crores unutilised. This, together with the similar experience with regard to the irrigation schemes and the supply of seeds, shows that the so-called crash rabi programme was launched without any pre-planning by the state government whose objective appears to have been to secure as large a chunk of Central funds as possible. Having secured these funds, their dispensation followed the dictates of political patronage rather than the requirements of increased foodgrains production.



THE FAMINE

A Report from Dhubri

M S Prabhakar

THIS is an account of a brief trip to Dhubri in the latter part of September. Newspapers in Gauhati had proclaimed in banner headlines a disastrous situation in Dhubri in early August, but after a couple of days' scare, the panic evident in the early reports had given place to routine reporting. But even though there were no more headlines in the newspapers, one heard of accounts of large masses of people roaming the streets of Dhubri and other small towns; of corpses in the streets, on railway platforms; of rotting cadavers providing a feast to dogs and vultures; of distress sales of lands and goods at throw-away prices; of abandoned children; of women forced to sell themselves for a few paise; of shrewd political operators making small fortunes by doing the good work of refugee rehabilitation; of rackets aplenty.

Stench of Corpses

I saw all these, and much more, during my trip. Of the damage caused by the floods, routinely described as 'uprecedented', there was evidence enough even when one was on one's way to Dhubri; long stretches of NH 31, 'a life-line passing through the heart of the North Bank', were little more than runnels and rutted potholes; for many days, the road between Gauripur and Dhubri had been under water and one made the last stretch of the journey by boat.

The smell of dead bodies hits the traveller as soon as he gets off the bus at the Dhubri Bus Stand. Let not the enthusiastic reporter dash off a report about corpses in the streets of Dhubri. The smell that welcomes him is undoubtedly of a human corpse, and it could even be the dead body of a victim of the famine. But the corpse is not lying in the street; the stench is emanating from the town hospital mortuary which is right across the street from the Bus Stand. But no matter; before one stops one's nose and forces down the upsurging bile, the cavalcade of destitutes is there for all to see; squatting, lying, sleeping on the roads; waiting patiently for the dole served by the Marwari relief society; listlessly wandering in search of food; occasionally dropping dead, or less dramatically, lying down to die.

Is it flood, or famine? Clearly, there is evidence enough of the flood for anyone to see; but the magnitude of the disaster that has struck the Dhubri sub-division can only be interpreted as a famine. It is not as though the area in question had not experienced floods and erosion in the past years, each year's disaster being dutifully chronicled by the newspapers as 'unprecedented'. But the influx of thousands of destitutes into the towns has been a special feature of this year, and this certainly has been unprecedented. The universal opinion is that while the current miseries have undoubtedly been greatly aggravated by the floods and erosion, the basic causes for these miseries have to be sought elsewhere; to wit, in the gradual spreading of famine conditions in the Dhubri sub-division (especially), and other parts of Goalpara and Kamrup districts. The steep fall in jute prices during the past two years (after a period of artificial boosting which induced many peasants to sow jute in place of paddy) is only one of the many causes that have led to widespread famine.

Updated Mortality Lists

Deaths? How many people have died of starvation in the past few weeks? According to Jehirul Islam, Chief Executive Councillor of the Dhubri Mahkuma Parishad, at least 2,000 people have died since the middle of July; about 200 people are dying every day. Mortality lists are there aplenty, and every gaon panchayat is ready to show the carefully maintained lists, constantly updated, to any inquiring visitor. Destitution? Out of a total population of a little over 850,000, more than 50 per cent have been affected by the floods and erosion — famine has hit everyone — and the number of total destitutes is more than 20,000 heads of families. The term implies exactly what it says: the head of the family has either had his whole land and homestead washed off, or has been forced to sell his land and goods in order to sustain himself and his family for a few more days before final pauperhood and hunger has driven him to the town in search of food. How does one arrive at these estimates? Evidently, the local authorities have their agencies which give more or less reliable information. But one does not need to rely on figures, official or non-official; the sights and sounds and smells of Dhubri, Gauripur, Golokgunj, Panbari, Patamari, Fakirganj ... these are witnesses enough of the miseries of a very large number of people. I visited only a few of the affected places, always returning to Dhubri to sup on the horrors of the day; but even I, on a most conservative estimate, saw over 10,000 people reduced to utter destitution, many of whom were obviously waiting to die.

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Satsiakhamar (pop 675) is a village in Gauripur Dhap Gaon Panchayat, under Lakhimpur Thana of Goalpara sub-division. Abdul Gafoor is a resident of the village; his wife is Zubeda Begum. They had two sons and two daughters. On September 13, 1974, he throttled his wife and on the next day (Saturday), he threw his family from a raft into the river Jinjiram. Reason: inability to feed them. He now wanders about in what is left of the village, like a demented man. The police were not over-anxious to register a case, but efforts are being made to have a case registered, so that the horrors that led to the deaths might be publicly known through the trial. Abdul Gafoor's is not the only case of its kind; one was to listen to other similar, even more gruesome episodes in the days to come.

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Golokgunj : People started streaming into the little town — little more than a village, in fact — from August 3. The influx was mainly from the Gaon Panchayats of Lakhmimari, Bisandai and Hashdohah, all affected by severe erosion. For all the thousands of people, the safest place was the railway embankment; most of these who managed to trek to Golokgunj made it to the railway station and squatted there; many died there. I myself saw a person die on the morning of September 21, one of the few people that had somehow managed to stay on on the platform, after most of the squatters had been evicted following action on the part of the GRP and the Golokgunj railway station staff; it was waterhoses. Over 2,000 people in the confines of a small railway platform, staying for over a month, had undoubtedly created 'problems' for the railway staff and the passengers, and a couple of days before our visit there, the railway staff had gone on 'sick

leave', in protest against the contamination of the platform by persons who were held to be no better than vermin. But the people of Golokgunj too had passed through a lot; for nearly three weeks, the destitutes that thronged the streets of Golokgunj had been fed almost entirely by voluntary labour and contributions. Deaths? From August 3 to September 21, 16 persons had died in Golokgunj station, and nine bodies had been picked up in the Bazar area; the assessment of Sheikh Jahan, Executive Councillor of the Mahkuma Parishad, was that about 100 persons had died in Golokgunj area.

We meet some officials later in the afternoon, and do a bit of cross-checking. They not merely confirm all that we have heard from the 'unofficial' sources; they paint an even more horrible picture of things. More than 90 per cent of the population has been hit by the famine conditions; distress sales of land are going on merrily. But we say that we heard something about a circular prohibiting distress sales of land, prohibiting registration of sales deeds. Hardly the case, we are assured. Unlike on normal occasions when I buy land from you for, say, Rs 5,000 and show its value as Rs 1,000 in the registration papers (and so, save on the registration fees), now, land worth Rs 5,000 is being bought for Rs 1,000 or less, but the deed of registration shows the correct value of the land. We are welcome to go to the sub-registrar's office and see for ourselves. Officials and 'non-officials' are all agreed that the present disastrous conditions are not due to floods or erosion alone, but are due to the accumulated effects of the policy followed all these years which have resulted in the present famine. Land pauperisation, poor production, short-sighted inducements to the peasant to grow more jute, steep fall in jute prices and the consequent inability of the peasant to purchase foodgrains, and, on the top of it, flood and erosion; lace the whole thing with a system of land relations still largely feudalistic in character with most of the land vested in absentee landlords, the majority of the peasants being landless agricultural labourers, and you have a readymade recipe for large-scale famine.

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Panbari: Panbari is on NH 31, about five miles from Gauripur. It is the only organised refugee camp under the aegis of the government, in the whole Dhubri sub-division, indeed in the whole district. Just across the road from the Panbari camp, literally a stone's throw away, is the spic and span headquarters of the 82nd Batallion of the Border Security Force; the plush interiors of the Officers' Mess are plainly visible from the road, and the contrast between it and the squalor and confusion of the refugee camp is plain. One can be quite assured that at least in the Panbari camp, there will never be any trouble. The inmates are anyway too exhausted to pick up stones.

Commendable Fortitude

It almost looks as if Panbari had come about in a day. When we visited the place, the camp had been in existence a bare week, and everybody, the officials in charge most of all, seemed terribly harried. It was partly public pressure that had forced the government to open the camp; the people of Dhubri had had a really tough time between the end of July and the middle of August, when thousands of destitutes roamed the streets, slept and died there, and generally made things intolerable. One should add that the people of Dhubri braved the unexpected large influx into the town with commendable fortitude, and even arranged voluntary relief of sorts, before the Administration stepped in; by the middle of August, things had eased a bit for the citizens of Dhubri, and by mid-September, the official camp at Panbari had started functioning, ready to show its paces to the VIPs who had started visiting the place. When we visited the place, it was still settling down; nobody seemed to know the exact number of inmates; people were still being collected from different places — school dormitories and railway platforms and embankments — and brought in. Everyday brought its quota of fresh inmates. But though nobody knew how many were there — a rough estimate was around 4,000 — there was certainly a well-ordered list of the dead. Each day had its toll of the dead, mostly infants. One barely saw any hope of survival of all those babies; the less-than-one-year-olds hardly had any chance; one had never before seen infants barely a week old, but showing only ribs. Old men and women blindly holding on to the belief that anyone in trousers has to be somebody from the government, feebly thrusting bits of paper under your nose, wanting to explain things or have things explained to them; brisk, bustling volunteers of the Youth Congress, and members of the Educated Unemployed Young Entrepreneurs' Associations, having a glorious time in the midst of all the terrible misery. How much does it cost to build a 20' x 20' bamboo hut, with the corrugated iron sheet roofing supplied free by the government? The Young Educated Unemployed Entrepreneurs were charging a cool Rs 400 for each hutment (@ Re 1.00 per sq ft), and since ten of these hutments formed a row, the eight middle ones sharing two of their 'walls' with the neighbours, one didn't even have to have a full 400 sq ft of bamboo in each 'unit'. Much of the bamboo work was done by the inmates of the camp itself, and the able-bodied among them who were fortunate enough to catch the eye or earn the favour of the Youth Congress Volunteers, were officially entitled to a daily wage of Rs 3.50; but the 'officials' could not really tell us if the money did indeed reach the wretched person who was entitled to it. In the midst of all the confusion and pandemonium and the wailing babies and human misery, some, at least, were having a whale of a time. Whenever disaster strikes, there always seems to be little fortunes waiting to be made.

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Fakirgunj: Fakirgunj is not so much the name of a village as the name of an area. You cross the river, and on the South Bank of Dhubri, a good 2½ hours away by country boat — the morning ferry was not running — you reach Fakirgunj, from where you take a bus to go to South Salamara, Phulbari, Sukh Char, Mankachar and other places. Now, the road upto Phulbari is more or less under water, and one has to go all the way there by boat, and take a bus from there to go to places further south. The magnitude of the disaster that has struck the interior areas is evident even in Fakirgunj area. The settlement itself is under water, and all the residents have taken shelter in makeshift tents and shacks erected on the narrow bund that is yet holding; the metalled original road is barely visible beneath the temporary constructions. But the fortitude of the people is something that makes a city man feel rather ashamed. Sheikh Nasimuddin (age around 50 years) came from Pabna, about 30 years ago. He had about 20 bighas of land, all in the Sukh Char area which has now been washed away. The erosion took place gradually, and for the past five years, he has been landless. He now makes a living by weaving on a loom hired by him; he can become an owner of a loom by investing about Rs 350, but he does not have the money. What is remarkable about his fortitude is that he continues to work in a makeshift dungeon on the side of the bund, barely inches above water, in heat and damp; for his actual home, as well as that of the owner of the loom, is now under water. But meanwhile, one has got to work (at Rs 5 per day) and he goes on working as he talks to us.

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Chotokalia Part II: A large village (pop 2,118), now almost completely under water. Madrassa, High School, ME School, Mosque, etc. The school chowkidar takes us to the house of the Assistant Headmaster, whose house seems to be far away from the bund, surrounded on all sides by water. Some bamboos are strung together and slung across the sheet of water and we totter along it. Same story; same misery. Everyone lives on GR. Pauperisation on the South Bank is near-total. The immigrant peasant is not the type to lightly dispose of his land. He clings to it almost to his death. After all, everyone knows that the most frequent cause of murderous assault among the immigrant peasantry is a dispute over land. And if *he* is now dispossessed, either due to nature, or due to the sharpness of the local rich peasant, one can take it that he is truly and utterly dispossessed; he will never be able to be a landholder once again. A most conservative estimate of such dispossessed from the South Bank alone would be about 20,000 heads of family. They have to be settled, elsewhere.

The question is, where? Returning to Dhubri, one gets all the 'political' lowdown. The whole thing is a conspiracy on the part of some ambitious Muslim leaders. There has been erosion, but not to such an extent as has been made out. Now 'these people' have been induced to abandon their homes and flock to the cities and pressurise the government to settle them elsewhere, in some reserve land. But mark my words, wherever 'these people' are now settled, within two years, there will be a communal riot. No, that is all wrong; here is an interpretation that is not so bigotedly communal. 'These people' that are being taken to Panbari camp, do you think there is no meaning behind it? The government had propsed to establish a huge goat farm and pig farm in that area, and now some interested parties want to take these elsewhere — Cabbar — and so they will pressurise the government to settle 'these people' in the Panbari Reserve Forest area, and where will the goat farm and the pig farm be situated? More political wisdom; more prophesies of doom and disaster.

Scandals enough to satiate even the most news-hungry; of fortunes made in the refugee racket. A local Congress leader supplying 'dumasia' paddy seeds to the government at the rate of Rs 250 per quintal, while the actual market price is much lower; poor hungry women ready to sell themselves for a rupee or less, and of people willing to negotiate the contract.

Silghagiri Part I (pop 1,970): A village about six miles from Dhubri, part of Patamari GP. In this village, the underlying tensions between the immigrant destitutes and the indigenous destitutes — both Muslims — became apparent. The difference between the two was that the one was hungry in the open, or in makeshift tents pitched on the road; the other was hungry in his own house. In this village, or rather, on the road at the south of the village, had gathered destitutes from Khuda Char, Aminerchar, Char Bhagduhar, Jangila, Barbila, Kaim Bhasani — all nearby villages now under water. They are all part of Patamari GP whose total population of approximately 20,000 are all under GR. It was quite a job to make the people understand that nothing would suit the government better than to have hungry people quarrel among themselves. Once again, the narratives about the hungry and the dead; inspection of mortality lists and ration cards; and the visible evidence of fresh burial mounds, enclosed by bamboo fencing.

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Muslims: Main Victims

It was in many ways a most harrowing week; but one modifies one's outraged sensibilities by remembering the remarkable endurance and will of the destitutes. It cannot be yet said that they have lost the will to live. If the government can provide even the most minimal kind of assistance, the majority of them can re-establish themselves, and in the years to come, can make positive contributions to the economy of the state. Everyone acknowledges that 'these people' have totally transformed the agricultural scene in those parts of Upper Assam where they have settled. But is the government desirous of making the minimum efforts necessary to provide this assistance? The least the government can do is to declare that the sub-division, along with the Lakhimpur Thana area of Goalpara sub-division and parts of North Kamrup, is hit by famine. The 'administrative' excuses of inability put forward by the Chief Minister can easily be overcome by the issuing of an ordinance. And it is the urgent task of all to mobilise public opinion to force the government to officially declare the prevalence of famine, something which anyway is raging full swing at present. The coming months will only intensify the misery, and not all the Test Relief measures contemplated for the cold season can touch even the fringe of the problem.

A most important feature of the present distress in Dhubri sub-division has been that the majority of the victims, especially in the South Bank, have been Muslims. In the Golokgunj area, the disaster has struck more or less impartially; but in the South, the victims are overwhelmingly Muslim. Though they might have all dutifully declared themselves as Assamese in the Census declarations, and though they have all, all the time, most faithfully followed the advice of their religious leaders and have solidly voted Congress, they are now left high and dry — a mere metaphor, for they are very much in deep waters — by their secular representatives and religious leaders. In the course of my wanderings, I did not come across a single instance of any Muslim organisation doing any relief work; and the people have not seen the faces of their MLAs and MP. But whether the callousness of the Congress government — a government which they have repeatedly been responsible in returning to power, for without the 'safe' blocks of immigrant Muslim votes, the Congress would have long lost parliamentary power in Assam — will ever cause them to reconsider their 'natural' political alliance with the Congress, it is too early to speculate. Here anyway is field enough for urgent politicalisation of large masses of peasantry.

Apollo Tubes

APOLLO Tubes, which is setting up a project for manufacture of steel tubes and pipes with annual installed capacity of 25,000 tonnes in Tamil Nadu, expects to commission its plant by the end of this year. The civil construction work of the factory is nearing completion and a major portion of the equipment has arrived at the site and is being installed. Technical knowhow for the project is being provided by Bharat Steel Tubes.

SOUTH

Emerging Rift in Kerala CPI(M)

Mohit Sen

THE entire politbureau of the CPI(M) has descended on Kerala. In a sense there is no reason to wonder at this since Kerala is, after all, the second mass base of that party. And that mass base has not been behaving as the party has wanted it to. The mass base itself remains large and for voting purposes it is formidable. Why, then, has it remained more than a trifle deaf to the repeated calls for action issued to it by the CPI(M) leadership of the state?

Nor is this the only question that arises. Why is it that the CPI(M)'s chief theoretician, E M S Namboodiripad who in his theoretical articles harps on the need to project a Left and democratic alternative to the Congress in practice attempts to overthrow the Achuta Menon ministry in alliance with the Kerala Congress? How does the Kerala Congress fit into his scheme of the unity of Left and democratic forces?

Further, what is to happen once the much-desired consummation comes about and the Achuta Menon Ministry is dislodged? What is to take its place? President's Rule of Indira Gandhi? Fresh elections under the auspices of the same set-up which did so much rigging in West Bengal? Is not the posing of the alternative of elections elections itself likely to breed the very constitutional illusions which Namboodiripad in his theoretical writings so ardently wants the masses to eschew?

In August the CPI(M) leadership in Kerala proclaimed that a new and final "liberation struggle" was to be launched which would rid Kerala of its present Ministry. What happened to it? Evidently it never got started. The few who participated in it are reported to have complained about the atrocious behaviour of the Kerala police who arrested them only late in the afternoon, compelling them to stand or sit for hours together in the sun! Then the public was informed that such a massive outpouring of mass discontent would take place on the day the Assembly was to meet for its autumn session that dissolution would be inevitable. But a downpour settled all that and the demonstrators scarcely mounted a threat even to the normal maintenance of law and order. When the masses refused to oblige the tantrums began in the Assembly. The Assembly was to be wrecked from within when the masses refused to oblige without!

What is even more significant is the report submitted by E Balanandan, member of the Central Committee of the CPI(M) and secretary of the Kerala unit of the CITU, to the state conference of the CITU. A good part of the report is along the traditional lines, but what was startling was the praise showered on the Achuta Menon ministry. Permanent rights to tenants; ten cents of land to homestead dwellers; job security in the developing public sector in the cashew industry; the revival of the beedi industry in the Cannanore area, etc — are all mentioned as achievements of the Ministry worthy of support. The report also contains an analysis of the withdrawal of the railway strike, of the failure of the CITU call for an indefinite strike of central government employees and of the attitudes of the Soviet Union and China to grave international issues, which to say the least are at significant variance with the line advanced by the CPI(M). It is scarcely surprising that this report has not been given any publicity in the press belonging to the CPI(M). That very fact has, of course, given it wide publicity and speculation. It is difficult to be precise about the motivations of this report which obviously does not reflect the personal views of the secretary. And, in any event, the secretary himself belongs to the top policy-making body of the CPI(M) not only in the state but throughout India. It may well be that one of the reasons for the politbureau of the CPI(M) deciding on a visit to the state at this juncture is the emerging rift at a high level in its state unit.

How is it that while ministries of a single party with vast majorities are toppling in one state after the other, the Kerala ministry has entered on its fifth year though it is a coalition of six parties and has a relatively narrow majority? Surely, one of the most important causes of this phenomenon is the record of this Ministry. It has not only done more than any other in the field of democratic reforms but it has displayed an altogether unusual determination to implement the mandate with which it went to the polls. It is this that has given it credibility.

Not that the Ministry has no blemishes nor that it has won over the entire people. Far from it. And this is far from the view of the leaders of the coalition. On the occasion of the Ministry's entry into the fifth year, the Chief Minister not only put forward the many tasks that remained to be done but highlighted the key weakness of the functioning of the coalition. The key weakness was the failure of the coalition parties, both singly and together, to mobilise the masses on a sufficient scale. In particular this failure was to be noted among the working class. This by no means meant that Achuta Menon was advocating that the working people and their organisations should not take up the innumerable problems that beset them. They should and, if anything, with increased vigour. But their role *vis-a-vis* the government should be one of still more active identification and collaboration. It was wrong on their part to leave the implementation of the policies and measures of this government exclusively to the official machinery. They should take a hand in their popularisation and enforcement. What, in essence, the Chief Minister was calling for was the move towards a type of dual power — not in confrontation but in a dialectically united relationship. This, indeed, should be seen as the key task of the ruling coalition in the last year of it's constitutional term.

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

Exit Menon, Enter Kissinger

G P Deshpande

WITH Menon's death the last link with our anti-imperialist past has snapped. Menon had ceased to be a significant force in Indian politics for over a decade now. The world had not significantly changed; but the Indian perception of the world had. It must have been a constant source of surprise and agony to Krishna Menon that the Indian leadership had come to take such a fond view of America and Imperialism. The process in a way had begun during Nehru's lifetime itself. It was, however, still within limits then. During the decade since Nehru's death the talk of contradiction between resurgent Asian nationalism and Western, especially American, imperialism had increasingly become an irritating nuisance for the Indian leadership. A new group of policy-planners, bright and up-to-date on the cliches, had since emerged which had no use for this 'idealistic' contradiction. They were out to build pragmatic practical approaches to international politics. They had no use for Menon.

Menon's anti-imperialism was the product of the Indian revolution. One does not know how the contemporary Indian elite has so successfully delinked our national movement from anti-imperialism. For whatever it was worth there was an anti-imperialist mass movement in this country. Nehru and Menon were products of that revolution. It was the tide of that mass movement which made Nehru the dominant political leader of this country. It was the interest of this mass movement which Menon represented and fought for abroad.

There was indeed very little in common between Gandhi, the supreme leader of this movement, and Nehru and Menon. Yet these people were together; they suffered together. The only link between them was that of anti-imperialism; or, shall we say in Menon's own words, opposition to "imperialism in all its manifestations"?

In the post-War world it was easy for Menon to see that the leading imperialist power was, in fact, the US. But it would be wrong to equate this 'anti-imperialism' with anti-Americanism. Like a good bourgeois nationalist, Menon understood power and understood it rather well. His anti-imperialism again was typically Indo-centric. He was anti-imperialist like everyone of his generation because the Western powers tried persistently to deny India its rightful place in the world community. Nehru and Menon were internationalists in the sense that they supported and championed the nationalist aspirations of all Asian, African and Latin American peoples. Menon spoke for them in the United Nations. He demonstrated that one could stand up to 'them', put one's foot down and get one's legitimate grievances heard. Decolonisation has been with us for much too long to enable us to see the impact which Menon and his India had made then. We were a force in international politics then, not because we were powerful, but rather because we were on the side of the weak against the bullies of International Politics.

The Nehru-Menon concept of non-alignment thus became a force because it was a strategy of the weak to defy the world distribution of power. The weak do not have to be mute. As long as they are not deaf to the legitimate demands of resurgent nationalisms the world over, the powers that be cannot silence them. Alignment was undesirable because it confirmed and perpetuated your weakness. Non-alignment, in other words, challenged the existing world distribution of power and rejected 'dependence upon a camp' as a viable foreign policy strategy. The roots of this thinking lay in 'nationalism'. For Nehru and Menon, products of anti-imperialist national revolution as they were, nationalism was a sacrosanct value and, logically, it led them to perceive national resurgence and the existing world distribution of power in a firm, contradictory relationship. Nehru and Menon, more than anybody else in Asia, rejected the two-camp doctrine. The Chinese have done the same, of course in a very different sense, nearly 20 years after Nehru and Menon. Teng Hsiao-ping tells us today that there is no socialist camp. Nehru had rejected that notion way back in 1962 when some people saw a concerted socialist camp move in our conflict with the Chinese.

'Camps', 'blocs' and 'alignments' were some of the terms which the Nehru-Menon foreign policy abhorred. The reason for this, again, is that, contrary to popular myths, these two statesmen were no dreaming utopians. They were hard-headed realists as much as our bright 'policy scientists' of the South Block claim to be. 'Camps' and 'blocs' for Menon were not a reality but rather clever 'abstractions of reality' manufactured by the powers that be. If these abstractions (even as their limited relevance to international politics is demonstrated everyday, there are still some incorrigibles who cling to these notions!) were not against the interests of weaker states like India, Menon and Nehru would not have been so strongly against them. 'Non-alignment' rejected all blocs, camps and alignments for the simple reason that a resurgent nationalism in Nehru's and Menon's view could not afford to lean on any side. It had to stand firm on its own feet. There was no other way.

Menon had very strong views on India's relationship with Pakistan. In much the same way as Nehru, he never understood the phenomenon of Pakistan. It was clearly an extension of the Congress-League feud on the international plane, made possible by imperialism again. It was a travesty of the concept of nationalism and nationalities to argue that the Muslims of India constituted a nation. If some of them said so it could not have been without British encouragement. It is for the historians of our nationalist movement to argue if this view of the Pakistan movement was right. What is relevant is to see the Menon-Nehru antipathy to Pakistan as essentially a function of their anti-imperialism. Therefore, they were uncompromising in their belief that Pakistan was a direct consequence of British Imperialism and as such constituted the number one threat to Indian security. Pakistan's alignment with the United States in 1954 further confirmed and consolidated Menon's conviction.

It is important to see the anti-Pakistan stance of Nehru and Menon clearly. Had it not been for Menon's and Nehru's anti-imperialism, it could have very well vitiated their perspective in domestic affairs. Being secular and pursuing a hard line towards Pakistan was not contradictory primarily because anti-imperialism had so informed Menon's outlook on international affairs. Partitions do not occur; they are caused and caused by imperialism.

Menon in so many ways was a living symbol of anti-imperialist nationalism. He was not anti-American. He was just impatient with American arrogance. To be sure, Menon must have been surprised by American behaviour during the Truman-Dulles years. It is doubtful if his view of imperialism was Leninist (more probably, it was not) and as such he might have expected a different behaviour from the Americans



in the post-colonial world. He was first impatient and later irritated with the themes in the American expositions of the world situation. He was at times angry. His wit and sarcasm were well known. He more or less reserved them for the US and its foreign policy. It was a nationalist's impatience and anger at the rather vulgar show of power that Americans were out to make. That the Americans did not understand communism was understandable. But that they did not understand nationalism was nothing short of a crime. Menon could never forgive them for it.

With Menon's death a principal spokesman of Asian nationalism is gone. His death is a sad reminder of how far we have moved from the original goals of India's foreign policy. In those days realism meant pursuing national goals relentlessly against the onslaught of imperialism. Now the new term 'pragmatism' means compromising national goals to please the superpowers. Non-alignment today means bi-alignment. The world has not changed. We have. Menon was a misfit in the present-day politics of our country. It is indeed ironical that Menon should have died right when we are getting ready to receive Kissinger and to tell him (as though he does not know) that we have no quarrels with the United States. Exit Menon, enter Kissinger. Nothing could have ushered us better into the world of, to use Indira Gandhi's words, extinct volcanoes.

BANGKOK

Old Forces in New Garb

Harish Chandola

THIS month Thai students will mark the first anniversary of their protest demonstrations which toppled the military regime in their country. Within this year changes of immense significance have occurred in Thailand.

It is now generally realised by all in this country that it will no longer be possible to re-establish absolute military dictatorship of the kind that was overthrown last year. This realisation has come because of the chain of struggles that took place during the year, and which are in fact still going on, following the successful protest movement of students. These struggles have created new pressure groups which no new Thai government can ignore. Any future Thai government will have to make compromises with these new pressure groups in order to stay in power.

In the past year various sections of the Thai population began organising themselves. During the year, for instance, workers became more organised and fought a number of struggles: textile workers went on strike for better wages, women workers in garment factories struck work for better working conditions and now workers in some large hotels in Bangkok are on strike.

Farmers fought a big struggle at the end of August and beginning of September. Seven thousand farmers demonstrated in various cities, 4,000 of them in Bangkok itself, against the low price they were paid for their rice and the high prices they were charged for their necessities. They threatened to burn their identity cards, which are documents of their citizenship, during the demonstrations. Fishermen too had staged strikes and protest rallies several times in the year over their low earnings and difficult working and living conditions.

A wave of political consciousness swept over the country resulting in people organising themselves to demand their rights. These demands, and the struggles initiated to achieve them, alarmed the landlords, factory-owners, bankers, hotel proprietors, etc, and they too are either reactivating their organisations or forming new ones and closing their ranks to resist the struggles of the farmers, workers, fishermen, etc, to protect their profits and interests. During the hotel strike, hotel-owners came together to oppose demands of the workers and resist government efforts to intervene in the strike to end it on terms seemingly favourable to workers.

In the past year a sharp division has appeared within the Thai society, with the Thai people now divided into organisations of employees and employers, landlords and peasants, moneylenders and debtors, factory-owners and workers, and so on and the struggle between these opposing forces is taking a serious form. The student movement is no longer the simple protest movement it was last year. It is now imbued with social and political ideas, which have transformed the movement into one of a different quality. It does not only want to protest against what is undesirable in the country, it seeks to change the social order.

At the side entrance to Thammasat University there are several stalls selling newspapers and magazines. As I went past, I saw some of them selling the "Communist Manifesto" and "Lenin and Revolution". One never saw such publications being sold openly in the past. A number of books and pamphlets are now being translated into Thai and are becoming available to the people. The chairman (head) of a department at the university told me that every day when he enters the campus he first of all goes from one stall to another to see if any new books or pamphlets have come out. New publications come out so frequently and get sold out so quickly that, he said, if he does not look for them daily he might miss quite a few of them.

Some days ago I attended a seminar in Bangkok on the writings of Chit Phoumisak, a social thinker who has in very simple words analysed the working of Thai society and written about its various aspects. He had been arrested for his writings by the former Thai government, had escaped, joined the guerillas and was shot dead by the Thai forces in the jungles of north-east Thailand some years ago. At the seminar there were not only university students but also students from various high schools in their school uniforms. Chit Phoumisak's writings are becoming available now and by the demand for them these days one can judge how popular they have become.

Throughout the year the student movement was greatly criticised by the Thai press, which in the past was an ally of the military regime and which is still controlled by vested interests. The government-owned radio too ran down the student movement. After the change of government, following student demonstrations, the students were told to go back to their educational institutions and study, because a new government had already taken office. The students were told by the Thai press that their duty was to attend classes and study and not to bother about what the new government did. To run the country was the government's job and not that of the students.

But since the new government had come into being entirely because of the students' struggle, the students wanted to know if it acted in a manner which would lead to establishment of democracy and social justice in the country. When the students kept on examining

the actions of the government and sometimes disagreeing with them because they served the interests of the ruling class in the country, the Thai press began calling the students "troublemakers" and even "communists".

The old leadership of the National Students' Centre of Thailand (NSCT) changed because of the change in the quality of the movement. The new leadership came under heavy attack. Since the students remained in the forefront of the struggle, all kinds of rumours were spread against them by those afraid of losing their power and privileges. Just over a month ago a student leader of Ramkamheang University was murdered for political reasons by, many in Bangkok say, rightist groups. The student had belonged to Sajjatham ('satya-dharma'), a radical and, some say, leftist group in the university. The assassination was an attempt to terrorise the student movement.

New Constitution

The new forces that have tried to organise themselves on the basis of their class interests are now trying to form political parties to contest the first democratic elections in the country in the beginning of February next year. The four-year ban imposed on political parties by the earlier military government is to be revoked soon. After the adoption of the new Constitution on October 5, 1974, the Ministry of Interior will place before the National Assembly a bill to allow political parties to be formed. It will be only after that that political parties will be officially formed and registered.

Several provisions of the new Thai constitution favour the old forces and are against the interests of the new ones. For instance, though it was the students and the youth who ousted the military regime and placed the present government in power, their demand for giving voting rights to persons of 18 years of age has not been accepted. The minimum age for contesting the elections is 25 and no independent candidates will be allowed to stand for elections. To be a candidate one must belong to a registered political party.

The new Thai Parliament will have two houses, with absolutely equal powers. The upper house will be entirely nominated by the King, perhaps on the advice of the old politicians. Elections are to be held only to the lower house.

Nobody has any doubts that old politicians and persons with money and influence will be at a great advantage in the coming elections while candidates belonging to the new forces will have practically none. It is this feeling which has caused a good deal of apathy towards the elections among students, workers, peasants and fishermen. What is the point of the elections if the conservative forces which were allied with the military regime are going to have most of the advantages in them?

Let us have a look at the forces in the country which are most likely to form political parties to contest the elections. The Speaker of the present National Assembly, Kukrit Pramoj, who is very confident of becoming the next Prime Minister, has already declared his intention to form a Social Action Party. Kukrit Pramoj has made millions during the military regime. He owns one of the largest Thai language newspapers and a posh hotel in Bangkok and has interests in banking and other industries. He is, however, a clever person and wants to call his party Social Action Party because he knows that the Thai people are looking forward to social change. But in fact he is a conservative and has too much to lose should the social system in Thailand change.

Kukrit Pramoj's brother, Seni Pramoj, is reviving his old Democratic Party in order to take part in the elections. Its members and supporters are the old elite: landlords and rich politicians, particularly in the countryside north of Bangkok. They are all conservatives and are opposed to the new political forces.

Members of the earlier Parliament and former military officers who have made billions during the boom in the country as a result of the war in next-door Indochina, and who were staunch supporters of the military regime, have gathered under the name of Serirastra group to contest the elections. They have millions to spend on the coming elections and will present a formidable challenge to those opposing them.

The new elite in the country, of liberal professional people like professors, doctors, lawyers, high-ranking government officials, young aristocrats and industrialists, bankers and businessmen, almost all of them in the age group of 30 to 40, have formed the New Force Group and are working very hard to attain power in the new government in order to preserve their newly-attained status and power.

There is also an attempt to form a socialist party to contest the elections. The persons behind this attempt are some university teachers and student leaders who are trying to bring together various left groups in the country. The young radical intellectuals who had petitioned the military regime last year for return to democracy and were arrested, and for the release of whom the students had staged demonstrations leading to the collapse of the military junta, are the persons who are trying to form a socialist party and secure the support of workers, farmers, students and other underprivileged people in the elections. On their release, these intellectuals had last year formed a group called People for Democracy.

It is, however, generally accepted that both money and influence will play a great role in the February elections. Many sections of the underprivileged are, therefore, not enthusiastic about the elections and are more keen on creating greater political consciousness in the country which, rather than elections fought by parties decked in attractive names and holding out promises only to gain political power, will set into motion processes for the establishment of truly democratic institutions.

Gogte Steels

GOGTE STEELS is entering the capital market with a Rs 96.25 lakh public issue. The issue comprises 6,12,500 equity shares of Rs 10 each and 35.000 9.8 per cent redeemable cumulative preference shares of Rs 100 each. The public issue is fully underwritten.

Gogte Steels, which has been promoted by Gogte Minerals, will produce mild steel, spring steel and high and medium carbon steel billets with an estimated production of 44,000 tonnes per annum from two electric arc furnaces. Gogte Steels is a joint sector project with SICOM holding 26 per cent of the equity. The plant will be located at the MIDC Industrial Area at Tarapur in Thana district of Maharashtra.

M N Dastur are the technical consultants to the company. Almost all the major items of plant and machinery have been ordered. The first furnace is expected to go into production by the end of 1974 and the second about two months later.

The project is estimated to cost Rs 390 lakhs. This will be financed to the extent of Rs 160 lakhs through equity and preference capital and Rs 230 lakhs through term loans.

The company has secured a letter of intent for setting up a wire rod mill for making high carbon wire rods with an annual installed capacity of 40,000 tonnes. The company proposes to implement this project as a second phase to derive the advantages of an integrated steel complex.

The public issue, which is managed by the Merchant Banking Division of the State Bank, will open on October 31 and close on November 11 or earlier, but not earlier than November 4.

Scheduled Castes and Scheduled Tribes

Problems and Policies

S D Kulkarni

Report of the Commissioner for Scheduled Castes and Scheduled Tribes, 1971-72 and 1972-73; New Delhi, Government of India, 1974, pp 410.

THE Commissioner for scheduled castes and scheduled tribes is in an enviable position compared to the other, similar, office-holders — except, perhaps, the Election Commissioner and the Comptroller and Auditor-General of India. He is appointed by the President, under Article 338 of the Constitution, and his duty is "to investigate *all matters* relating to the safeguards provided for the scheduled castes and scheduled tribes under this Constitution and report to the President upon the working of those safeguards" (emphasis added). One, therefore, expects a very frank and comprehensive report from such a Commissioner. The present report appears quite disappointing in this context.

The report begins with a small quotation from a speech by Indira Gandhi (no exact source is cited), followed by the comment that "these words coming from Shrimati Indira Gandhi, our Prime Minister, give the most befitting lead to all concerned for bringing up the large number of our brethren who have been left behind in the race of progress in order to strengthen our democracy" (p 1). Those who are striving to better the lot of downtrodden scheduled castes and scheduled tribes have not, however, waited for mere words of a Prime Minister to give them the lead in their work. One could, perhaps, excuse a Class .III civil servant if he begins anything with a quotation from the Prime Minister but not the Commissioner for the Scheduled Castes and Scheduled Tribes who has been allotted an independent constitutional status.

The first chapter, titled. 'A General Review', contains a brief reference to the appalling conditions of these castes and tribes, with the laconic remark that "as far as one can see, all this is due to the vast and distressing gap that exists between what we profess and what we practise" (p 2) but without any elucidation as to who, according to the Commissioner, is to be held responsible for this state of affairs.

The chapter is followed by a summary of important recommendations and observations. This is really the most important part of the report. Some of the recommendations are worth noting. The reviewer has preferred to mention them together with matters dealt with in different chapters of the report.

Thus, Chapter 2 of the report deals with education. It is pointed out there that, according to the 1971 Census, the percentage of literacy among the Scheduled Castes and the Scheduled Tribes was 14.71 and 11.29, respectively, as compared to the general literacy rate of 29.35. It is further pointed out that there is considerable variation in the extent of literacy among the different communities of the Scheduled Castes and Scheduled Tribes themselves. However, the Commissioner has not thought it worth his while to analyse all the available census data in this respect. Yet that would have helped to identify the areas and the communities with the very low literacy rates. The Commissioner's office should either undertake such a study itself, or pursuade the Census office to do so. For, only after such a study has been carried out would it be possible to seriously undertake the Commissioner's recommendation that it is necessary to analyse the problems retarding the growth of education among different communities of the Scheduled Castes and Tribes and to chalk out time-bound programmes for accelerating the pace of education amongst them" (p 54).

There can be no two views, of course, about the Commissioner's recommendation that hostel facilities for both boys and girls need to be improved particularly for the latter and that the rates of stipend for hostellers as well as day scholars which have been fixed long ago need to be increased. One may, however, point out that only recently the Centre has revised its rates of post-matriculation scholarships to the students of the scheduled castes and tribes. It could be recommended that all the states should also follow this example.

In West Bengal, exemption from payment of tuition fees is not granted to all the scheduled caste students but only to students from 41 communities. The Commissioner has rightly recommended that "the state government should exempt students belonging to all the scheduled caste communities from the payment of tuition fees etc" (p 63). The Commission's study of the educational facilities and concessions to the scheduled castes and tribes is full of information. It is interesting to note that Mahatma Gandhi Institute of Medical Sciences at Sevagram — Gandhiji's headquarters for many years — has no reserve seats for the scheduled castes and tribes. Also, both the Central Universities, at Aligarh and at Benaras, do not follow the policy of the Central government in reserving certain number of seats for the scheduled-caste and scheduled-tribe candidates. The same is true of the Sainik Schools run by the Ministry of Defence.

Chapter 3 gives information on the representation of scheduled castes and scheduled tribes in the services. In the Commissioner's words: "while at the policy-making level there does exist, as stated above, an ardent desire and anxiety to provide persons from amongst these communities with adequate employment under the state, in as short a period as possible, the various bottlenecks created at the implementation level, do not allow the progress being achieved at the desired speed" (p 79).

The Commissioner has rightly pointed out that the provisions of Article 335 of the Constitution — that the claims of the scheduled-caste members and tribes be considered, consistently with maintaining efficiency of administration, in the making of appointments to services and posts in the Union and the state governments — are mandatory and not directory (p 83). Statistics given by the Commissioner, moreover, only prove the oft-repeated statement that the reserve vacancies are mostly filled in for Class III and Class IV posts.

In some public sector undertakings, labour unions are said to oppose the system of reservations. Evidently, caste groups tend to safeguard the interests of their caste members. As the Commissioner points out, this may — in addition to being at the cost of the weakest castes — lead to a rift in the trade unions, and encourage the scheduled caste workers to form separate unions. It is for the union leaders to avert such rifts and prepare workers

for different bases for trade union organisation.

Some states have special cells for effective implementation of all schemes, and special provisions for the scheduled castes and tribes. The Commission has urged the states without such cells to open them immediately (p 119).

A large number of universities have not reserved seats for the scheduled castes and tribes in their services. They have justified this in the name of 'high educational standards'. The Commissioner has deplored this, particularly in view of the fact that qualified scheduled caste and tribe candidates are now available. Here, again, it would have been useful if the Commissioner had given the university-wise data of posts held by scheduled castes and tribes. A number of universities and colleges follow preferential castiest policy in their recruitment. Preference is shown to members not only of a particular caste but further to members of particular sub-castes. All these institutions, however subsist on large state aid and always clamour for more. It is high time the government utilised its power to destroy these caste dominations in recruitment. The Report contains various illustrations of the harassment and ill-treatment of scheduled caste and tribe members — in respect of promotions, transfers and other related matters (pp 136-148).

A separate chapter on untouchability (chapter 4) deserves special mention. It contains a brief summary of amendments to the Untouchability (Offences) Act proposed by the Joint Committee of Parliament on the Amendment Bill. It would have been useful had the Commissioner mentioned some amendments suggested by an independent scholar.[1] The Commissioner could also have initiated studies to find out the efficacy of the anti-untouchability laws and to suggest suitable measures. The Report does contain a list of surveys and studies undertaken by the Office of the Commissioner, and gives a brief summary of these under main heads. But it does not mention whether or not the reports of these surveys and studies are published. It would have been better had the Commissioner mentioned some of the excellent studies conducted by other official and non-official bodies. Thus, for instance, Registrar General of India has published one good study of the social disabilities suffered by the scheduled castes in South India.[2] The chapter ends with the unexceptionable conclusion: "untouchability in one form or another is practised in many parts of our country. The problem continues to be acute and requires strenuous efforts on the part of the government and non-official agencies to eradicate it" (p 161)!

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Cases of atrocities committed on the scheduled castes and tribes given in chapter 5 make painful reading. But, apparently, the Commissioner's office has taken note of only the complaints which were received by it. This is indeed a serious limitation. The Commissioner could have received complaints of only a fraction of the actual number of cases of atrocities and harassments — particularly in the case of the scheduled tribes. An analysis of the complaints received shows that "many of these atrocities were committed by the landlords, government employees including police, panchayat members, etc etc, and can be stopped if all persons realise their social obligations towards these underprivileged sections of the society. The social workers and political parties, at all levels, should launch a massive movement to rid the body politic of social inequalities" (p 162). If this objective is to be reached the Commissioner's Office should list all the cases of atrocities reported in the newspapers and should itself investigate them. It is regrettable that the Commissioner's office has not deemed this essential and so has no field organisation of its own.

The Commissioner seems to have great faith in launching prosecutions — as is seen from his observation. "The exploitation of the scheduled tribe womenfolk by outsiders who come to operate the tribal areas deserves condemnation. The state governments should launch prosecution in these cases to put a stop to this immoral practice" (p 167). The Commissioner must surely know that prosecutions can be held up for years by influential persons. The Maharashtra police have registered a case against a brother of a Minister of State in Maharashtra for harassment of scheduled caste persons in a village in Poona District; the case is mentioned in this report, however, without any comment (p 168). Does the Commissioner perhaps not know that the case is pending in the Court for more than two years?

Chapter 6 describes briefly the development programmes under the five-year plans. Nothing more than a brief description is presented, though the topic deserved detailed analysis and evaluation by the Commissioner.

The Commissioner has recommended priority to the scheduled castes and tribes in the distribution of cultivable land. Here, one notes a distressing fact about the rehabilitation of persons displaced by construction of big industrial projects. The number of the scheduled tribe families rehabilitated is considerably less than the number of families displaced by these projects. It appears that the poor people, unable to approach courts, are worst affected by our projects. A rather minor mistake in the presentation of the data needs mention to stress the carelessness of the agencies supplying such data as also the shoddiness of the Office of the Commissioner in receiving and publishing the data. The figures in respect of Thanepade project in Dhulia District are first given for the year 1971-72; the same are then repeated as for the year 1972-73 (pp 373 and 376).

Commenting on the reports of the Governors on the administration of the scheduled areas, the Commissioner observes that "the Governors' reports should not be merely formal documents. They should give information about the working of protective legislation and the progress achieved in saving them from exploitation by moneylenders" (p 203). If the Commissioner had followed his own advice, the present report would have become a really valuable document. The Commissioner should not have relied only on the formal reports submitted to him but should also have taken note of independent research work done in this field.

In his discussion on bonded and forced labour, the Commissioner has criticised the states and Union Territories for their reluctance to admit the existence of bonded labour in their areas. He points out these governments do not recognise bonded labour as a serious problem. He has also drawn attention of the governments to the problem of the sale of liquor from the distilleries to the tribals — which is "one of the most important single factors for the economic ruination of the tribal people" (p 221).

The discussion on co-operation among the scheduled castes and tribes is again quite factual but perfunctory. The report devotes less than four pages to the discussion on research into the problems of scheduled castes and scheduled tribes, and, as pointed out earlier, does not mention the research by independent agencies and even by the Registrar General of India. In fact, the Commissioner should have presented an exhaustive bibliography of all the relevant research in the field, instead of confining himself to government sponsored tribal research institutes.

The material on denotified and nomadic and semi-nomadic tribes is also inadequate in coverage and depth.

The report contains 66 appendices, some of which are very useful to persons interested in this problem. Of these appendices, one, 'representation of the scheduled castes and scheduled tribes in services', deserves special mention.

On the whole this is a more or less formal document, describing the general position of the scheduled castes and tribes, with an outline of government's efforts and schemes to improve it and some comments on these efforts. The comments on the lot of the scheduled tribes worth noting among these are:

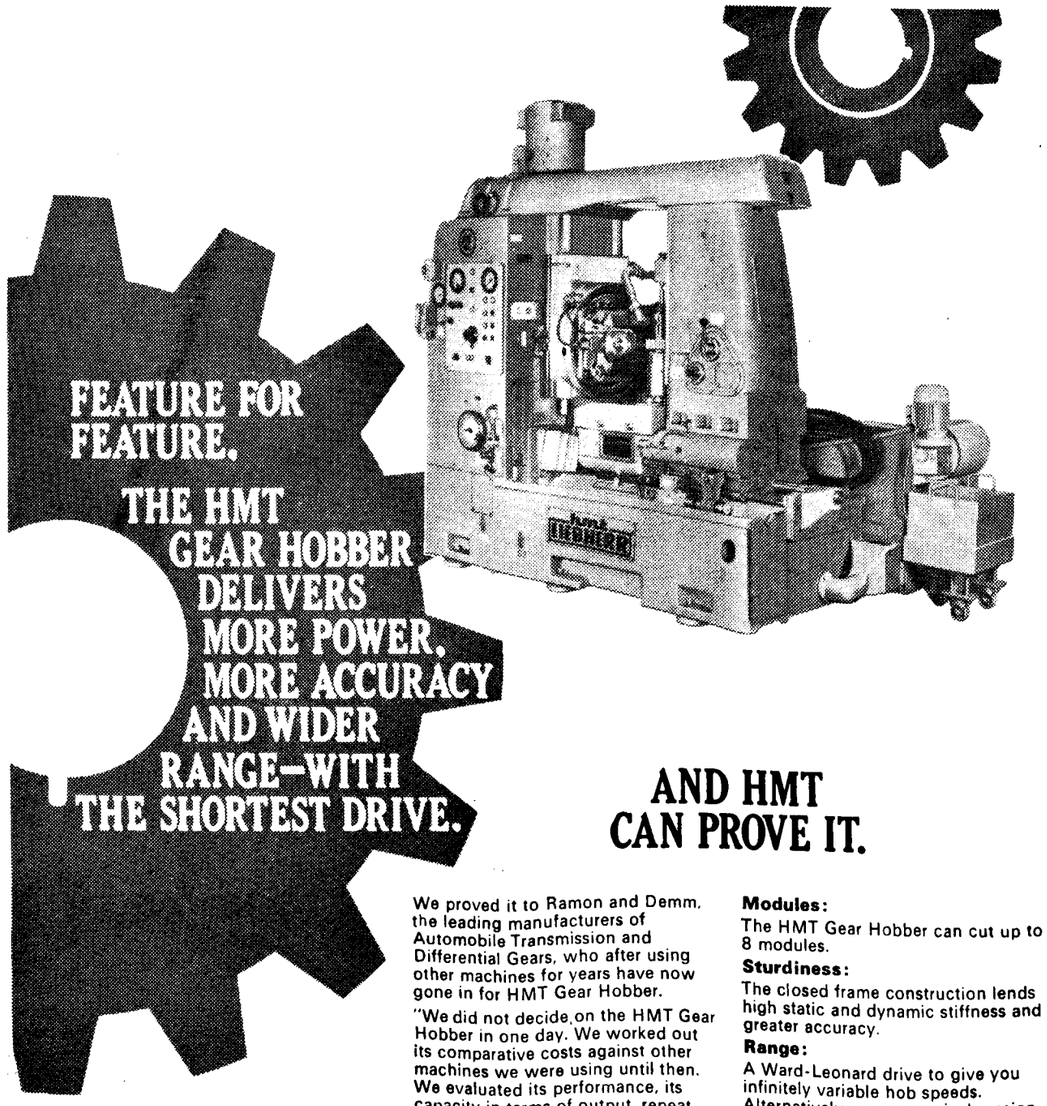
> "With the enforcement of forest laws without much consideration to the human life in these forest areas; land restrictions and alienation of their lands; the indifference shown towards the human problems of the tribal communities by the planners of the industrial projects in the tribal areas; their dependence on, and exploitation by, the moneylenders, landlords and other unscrupulous elements, like liquor contractors; have greatly disturbed their way of life. No doubt, since Independence, efforts have been made to ameliorate their economic and social conditions and steps have been taken by the concerned State Governments for their development. It is, however, unfortunate that, in spite of specific safeguards provided in the Constitution for their protection and advancement, most of the tribals have not only remained neglected but an exploited lot also" (p 5).

The Commissioner should also have mentioned various movements among the tribals and the scheduled castes to improve their lot. Some voluntary agencies are doing useful constructive work among these communities and their projects should find place in a report of this nature. In spite of such major limitations, the report remains a useful source of information which is not available in one document anywhere else.

Notes

1 Galanter, Marc; 'The Abolition of Disabilities — Untouchability and the Law', in Mahar J Michael (ed) "The Untouchables in Contemporary India", Tucson, University of Arizona Press, 1972, pp 227-314.

2 Census of India 1961, 'Traditional Social Disabilities in Rural India'. (Part I— Southern Region), New Delhi, Registrar General of India, 1972 (mimeographed).



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Criteria of a Rational Wage Policy

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There has been a lot of debate in recent years concerning the appropriateness of the marginal productivity theory as an explanation of the wages of labour and of wage differentials. The debate has centred on the wage-profit relationship. It is now generally agreed that the theory involves circular reasoning; that the technical condition of production being what it is, one does not know what the marginal productivity of labour is unless one knows what the rate of profit is. And it is not capital alone that is involved; we have to deal with heterogeneous sorts of labour, and this makes the problem more complicated. Further, there are enterprises whose products are not saleable; in these cases, it looks as if it is more appropriate to say that marginal productivity is derived from the price of labour than that the price of labour is derived from its marginal productivity!

These logical difficulties apart, the concept of scarcity makes little sense when there is widespread unemployment of labour. In a situation like this, the concept which is relevant is just that of a minimum supply price. And so we find ourselves back to the classical world, to "cost of reproduction" and all that.

Much of what goes on in the name of scarcity in our economy is indeed the creation of social institutions. Salaries at higher levels contain elements which are a surplus and "do not enter into price". Their persistence can be explained only in terms of organised oligopolistic class interests. To invoke a theory of productivity as sanction for these high salaries is not only not warranted, it is wicked.

FOR an underdeveloped economy such as ours, which is planning for fuller employment and rapid economic development, the overriding consideration in any field of economic policy must be the creation of surplus for investment. We define investible surplus as the excess of total output over that which is necessary for the maintenance of labour engaged in production at a subsistence level. The realisation of investible surplus thus depends upon the extent to which luxury consumption is restrained. The principle of austerity must guide economic policy in the initial stages of economic development, so that resources can be released, to the maximum extent possible, towards capital goods which have a potential for the production of mass consumption goods.

Austerity is not a new concept in our country. Gandhi, it will be recalled, invoked it as a moral principle. Any luxury consumption, according to him, was an act of exploitation. I have sympathy with this view. In a country where the per capita income is well below the minimum physiological needs of a person, any luxury consumption amounts to a deprivation of some people of the bare necessities of life, and is morally open to question. In our present context, however, I would take austerity not so much as a moral principle as an economic compulsion.

The principle of austerity is often misunderstood. Extravagant consumption is often equated with economic progress and a social system which permits the existence of riches in the midst of poverty is often accepted as a necessary factor of growth. This is a misconception. Luxury consumption is the *effect* of economic progress not its *cause*, and the rich contribute to economic growth not as consumers but as savers. Economic development took place in the Western countries within the framework of the capitalist system. And if these countries received a momentum towards growth it was because capitalists saved. Capitalists exploited labour no doubt, but they did not spare themselves either. "Zero wage and zero consumption out of profits"[1] in terms of which modern economists define "maximum rate of growth" is indeed an idealisation of early phase of capitalism when, partly due to a newly acquired puritanic way of life, as some historians suggest, but largely, as one would be inclined to believe, due to the fact that articles of conspicuous consumption were yet to be discovered, capitalists who owned wealth showed greater urge towards accumulation than towards consumption. "Like bees they saved", as Keynes puts it, and their accumulation led to the creation of more wealth. If inventions initiated the process of growth, capitalists' accumulation reinforced the process. Accumulation tended to increase employment and at later stages, as labour became scarce, it tended to increase wage also. Thus whatever the distribution of *property and income* there was no conspicuous inequality in *consumption* between capitalists and labourers.

Now, it so happens that we in India missed the early phase of capitalism when luxury goods were yet to arrive in the market and when the urge for distinction spent itself largely, if not solely, in accumulation. The conditions which stimulated accumulation in the early phase of capitalism in the West do not exist now. We have tasted the forbidden fruit and have fallen from paradise. The rich man's urge for accumulation is now restrained everywhere by his love for display, and commodities making for display are multiplying.

It follows that we can no longer sustain large inequalities of income in our society if our aim is to lift it from its present state of misery and squalor. The doctrine of inequality as a growth-stimulating factor has lost much of its force, insofar as the rich now spend and do not accumulate. If historically an increasing degree of inequality has been associated with economic growth, it is because growth has taken place within a capitalist system. Capitalist entrepreneurs, being the employers of labour, succeeded in appropriating a disproportionately large share of output, leaving wages as far as possible at a depressed level. On the other hand, because entrepreneurs had large surpluses, they saved and contributed to the formation of capital. While therefore the manner in which growth took place led to an unequal distribution of income, inequality in its turn led to accumulation and to economic growth. Today the position

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is reversed. Large inequalities are now a source of dissipation of surpluses towards luxury consumption and are thus a drag on economic growth.[2]

These prefatory remarks are intended to show that austerity is not a primitive virtue, that the most advanced countries of the world had to practise it at some stage of their career. These countries had to go through a long period of sacrifice and hard work before they could attain their present level of living. If we want progress, we must emulate them the whole way, in spite of our late start. A wage policy which ignores this ignores the basic factor of growth and is inappropriate for an under-developed economy like ours.

The second consideration that must weigh with us in evolving a rational wage policy is the effect of wages on employment. Unemployment has been a chronic phenomenon in our country. Its scale has increased over the years until today, even according to the most moderate estimate,[3] the aggregate number of unemployed in our society exceeds the aggregate number of employed in the organised sector whose wages are supposed to be our special concern. Now, unemployment is a social menace and an economic deadweight. The voice of the unemployed goes unheard. They have no union, nor are our labour leaders interested in their welfare. They are, so to speak, on a perpetual strike forced upon them by society. Now this cannot endure long. Some day, somehow they may wake up; they have at least one weapon in their hands — the right to picket.

It is often argued that the earning of the employed are partly used to take care of the unemployed. In an economy where there is no organised social security system, the unemployed have to depend upon their relatives for maintenance if they have to survive. The argument is sometimes used in the context of the determination of minimum wages; reference is made to the responsibilities of a worker to take care not only of himself and his *bona fide* dependents but also of his unemployed relatives. This certainly is true. But it is also true that this is a wasteful method of treating unemployment. If the employed have a surplus to spare, the surplus could better be utilised for giving employment to the unemployed. It is surely more economical that the unemployed should be provided with work than that the conditions of the employed should be improved, however insistent the demands of the latter may be.

Thirdly, attention has to be paid to the relevance of wages to the choice of techniques in production. It is well known that our economy suffers from a serious imbalance in the use of technology as between agriculture and industry. The imbalance is indeed historical. While industry — large scale industry, that is — has been pursuing the modern, capital-using methods of production, agriculture still remains largely primitive. If a rational explanation of this anomaly is to be sought, one must turn to the chronic distortion in factor prices. Interest rates are low and wages are high in the industrial sector, as judged by the relative scarcities of capital and labour; and the opposite happens in agriculture. In the context of a national wage policy, one must not lose sight of the artificial stimulus that high wages provide to our industry for the use of techniques which are economically inappropriate, considering how conspicuously our economy suffers from a shortage of capital.[4]

The policy prescription which these considerations indicate should not be difficult to understand. Whether one looks at the problem from the point of view of the mobilisation of investible surplus, or from the point of view of employment creation, or again from the point of view of the choice of an appropriate technology, one is drawn to the conclusion, unpalatable as it may be, that the economy needs a policy of low wages. The organised sector in our economy maintains a level of wages which is too high, judged by the criteria that are suggested here.

The proposition, one fears, will startle many people. Is it not, they will ask, that our workers in Government undertakings are failing to secure even what, according to a tripartite agreement reached at the 15th Labour Conference, was deemed to be a "need-based minimum"? What is one to say about the railway workers' strike over the demand for a small bonus which their counterparts are already getting elsewhere? These are surely legitimate demands, judged by themselves. To say that we are a high wage economy will thus appear to many as paradoxical, if not cruel. But the paradox disappears once one reflects upon the fact that, as it stands, the minimum wage in the organised sector, low as it is by an absolute standard of comfort, is substantially higher than the average earning of the labouring population taken as a whole. The fact is that here is a country where the per capita income is well below minimum subsistence by any standard, where the bottom 30 per cent of the population is supposed to be living below what is called the "proverty-line", and where, as the Prime Minister once put it, to get secure employment is itself a privilege. The position is thus complicated; what appears to the trade unions and their supporters as a legitimate demand comes into conflict with economic viability.

II

Decisions on wage-fixation in our country have never been taken with reference to any well-defined principle. We have our Wage Boards and Pay Commissions. But they deal with specific industries. There is no doubt a certain framework within which they are supposed to operate. But the framework consists of certain concepts such as minimum wage, living wage, fair wage, etc, which are defined in the abstract, so to say, and have hardly any reference to the general conditions of the economy. Judgments concerning the concrete content of these concepts thus vary according to the interests and pressures that specific conditions surrounding the industries are supposed to provoke.

Our Government's wage policy, insofar as there is one, has been hitherto guided by considerations of industrial relations. Wage awards have followed trade union pressures coming from individual industries. No wonder, therefore, that the structure of wages in our economy has grown in a haphazard manner, introducing a competitive element in the demands of the various unions. It so happens that trade union pressures have been more successful in the private sector than elsewhere. The reason is simple. Large-scale industries in our private sector, which mainly cater to luxury consumption, are, so to say, an agglomeration of tiny islands of riches surrounded by a vast sea of poverty. They are protected from international competition by a system of import controls, while their internal market is secure, being nursed by an elite class whose earnings and propensity to consume are high enough for them to carry off whatever supply is made available in the market. A distorted production structure is matched by an equally distorted earnings structure. These industries are thus in a position to maintain a high standard of wages. If costs rise due to a rise in wages, they are covered by higher prices. Price controls are hardly any handicap. For, controlled prices themselves happen to be linked to costs; if costs are high because of a mark-up in

wages, then controlled prices are adjusted upwards.

Our Government seems to have pursued a policy of drift in this matter. Looking back, one does have a feeling that the Government's attitude to wage policy in the private sector has been allowed to be influenced by a certain ideology whose sole concern is with the wage-profit relationship. "If an industry is prosperous, labour must have a due share of the prosperity" — this conventional philosophy seems to have influenced our Government's behaviour towards private industry all these years. Now, it is a philosophy which has grown spontaneously in the process of economic and social progress in the Western countries. However attractive it may be as an ideal, the appropriateness of the philosophy for a developing economy like ours is surely open to question. Even where distributional equity is accepted as the sole criterion of policy, the institution of high wages as a damper to profits is of doubtful validity, insofar as it widens the gap between the organised sector and the rest of the economy. But where, as in our country, the overriding consideration is one of maximising investible surplus so as to carry the economy towards fuller employment, an encroachment on profits through higher wages has little to be said for it. In the context of a developing economy like ours, profits are a wholesome element. It is true that there is a danger, if profits get into private hands, that they would tend to be dissipated. The answer to such possibilities is not to cut profits down but to pool them and to plan their investment towards general economic development. If private industry is at all allowed to function, its profits must be brought under social control.

Once, however, you acquiesce in union demands in private industries, it is a question of time before workers in the public sector follow suit. This is precisely what is happening here. The history of the system of bonus is a glaring example of how reactions operate. We had to pay a large penalty only recently for the Government's earlier passivity in the matter.

All this is not to say that considerations of industrial relations are to be left aside in our choice of criteria for wage fixation. You could not do that even if you wanted to. If conditions in the developing economies of today differ from those that prevailed in the early phase of capitalism, the difference lies not merely in an extended scope for luxury consumption, it lies also in a heightened consciousness on the part of labour of its rights and privileges. If you wanted to suppress labour's aspirations anywhere today, you would do it at your peril. Passive acceptance of class domination is a thing of the past; labour today has, here as eleswhere, not only the will but also the organisation to resist injustice. Maintenance of sound industrial relations is thus an important desideratum of wage policy.

Here we face a dilemma. Unions demand higher wages, while our earlier criteria suggest lower wages. It is a genuine dilemma for the newly developing countries, particularly those like ours which have accepted democracy as their political system. I consider an answer to this dilemma to be one of the most pressing problems that face our society today.

Can we evolve a wage policy which reconciles the requirements of economic growth with conditions of industrial peace? Undoubtedly this is a difficult problem. Yet there does seem to be a way of escape. The way that suggests itself goes right deep into the *structure* of wages, as distinct from the *level* of wages.

Experience suggests that the behaviour of a group is influenced not so much by considerations of what their condition is in absolute terms as by considerations of how they stand relatively to others. This applies with special force to the economic condition of a group; workers would be content with a modest wage if they found that others were no better off. It is the relative share rather than the absolute share which is most often the bone of contention when it comes to wage claims. A rational wage policy has thus to tackle the problem of relativities in the wage structure. There are several relativities which need to be considered. There is the relativity between lower ranges and the higher ranges in any particular organisation. Secondly, there is the relativity between levels of wages in different industries, including the Government, within the organised sector. Thirdly, there is the relativity between industrial wages and agricultural wages. And finally, and no less importantly, there is also the problem of relativity at different levels between scientists and technicians on the one hand and generalists on the other.

It is clear that these relativities cannot be fully integrated into a system all at once; as they say, the egg that has been scrambled cannot be unscrambled. Yet there seems to be no doubt that it is possible to make a *move towards integration*. I take the view that labour could be persuaded to accept a period of truce provided they were assured that their present sacrifices were a part of a joint venture for the ultimate welfare of the community. This can happen, I venture to suggest, if the top salary scales are brought down to a level which is in conformity to the general conditions of the economy. Further, industrial relations are not a matter merely of wages and conditions of service. They are also a matter of the participation of labour in management. You cannot expect labour to develop the right kind of attitude to community welfare if conditions are not favourable for it to acquire a sense of belonging to the community. The problem of wage policy is in the ultimate analysis a problem in social psychology as much as it is a problem in political economy. I shall, however, leave this larger question alone and concentrate on relativities in the wage structure.

III

Let me begin with a concept which has played an important part in classical economic literature on the determination of wages — the concept of minimum subsistence. Ricardo, it will be remembered, had a notion of a "natural price of labour" which he defined as a price which is necessary for labourers "to subsist and to perpetuate their race, without either increase or diminution". The concept of minimum subsistence is central in Ricardo's theory of wages. Earlier Adam Smith had given a similar theory linking wages to the cost of maintenance of labour. Wages, according to Adam Smith, are the result of a bargain between the workers and their masters, but it is a bargain between parties which are unequal; the holding power of workers is weaker and they have the worse of the bargain. Smith argues, however, that there is a limit below which "the ordinary wages of even the lowest species of labour" cannot be reduced, and that this limit is set by the cost of maintenance of labour. "A man must always live by his work, and his wages must at least be sufficient to maintain him".[5] The basic concept of minimum subsistence figures in Smith's theory of wages too.

Now, there are two aspects in this classical account of wages which need separating out. One refers to the level to which the wages of common labour tend to conform; the other refers to the level which must be maintained in order that the labourers can bring up a family so as to be able to perpetuate their race. One is a positive theory of how wages are determined; the other is a physiological concept which can be worked out independently of what happens in the market. In classical literature one is shown to merge into the other; the minimum subsistence of labour which is considered to be a social imperative is also the level to which the actual wages of common labour has a long-run tendency to conform.

The distinction comes out more sharply in Marx's system. Marx had a notion of "value", and he had a notion of "price". The value of labour power is the value of a basket of goods which serve as the minimum subsistence of labour, and the price of labour is wages proper. The former is a definition which runs in terms of the physiological needs of labour, and the latter is an expression of the market phenomenon. Here also the price of labour is equated to the value of labour, or in other words, wages are equated to the minimum subsistence of labour. Just as in Smith and Ricardo. However, unlike in the earlier accounts, the equation is not just a long-run tendency, it is inherent in the market mechanism itself. The difference is of crucial significance.

In the account provided by Smith and Ricardo, the factor which brings wages down to the level of minimum subsistence is growth of population. In Smith's system which is characterised by division of labour and increasing returns, equilibrium is envisaged in terms of an adjustment between the rate of accumulation and the rate of population growth — a "steady state" in modern terminology. When the rate of accumulation exceeds the growth of population, wages rise beyond minimum subsistence and the population gets a stimulus to grow at a higher rate. The supply of labour increases and wages fall. The opposite happens when the rate of accumulation goes below the rate of population growth. In the steady state wages remain constant at the level of minimum subsistence. In Ricardo's system which is characterised by the operation of diminishing returns, long-run equilibrium takes place under conditions in which the rate of accumulation is zero and population is stationary. The rate of wages which keeps population in a stationary state is a rate which equals the minimum subsistence of labour.

Marx did not have any fancy for the classical doctrine of population, nor for the matter of that had he any notion of a long-run equilibrium such as Smith or Ricardo had. Yet if he believed in a subsistence theory of wages, it is because in his system unemployment figured as a chronic phenomenon. Marx explains the equation of the price of labour to the value of labour in terms of what he calls "the reserve army of labour". The existence of a pool of unemployed is what keeps wages down to the subsistence level. The capitalist can draw upon the pool whenever wages tend to rise beyond subsistence. On the other hand, it does not pay the capitalist to depress wages below subsistence; for by so doing he would depress the efficiency of labour also.[6] Labour is like an intermediate good which depreciates through use; maintaining it intact requires that wages should cover the cost of its maintenance.

IV

Now consider our economy. The classical doctrine of population does not fit. The per capita income of the people is below minimum subsistence by any standard. No less than 30 per cent of the population have a sub-standard existence. And yet the death rate in the country is on the decline. For good or for evil, this is contrary to classical expectations. We do, however, witness here a condition which was visualised by Marx. The rate of growth of population during the last twenty years or so has exceeded the rate at which employment could be created, given the manner in which the economy has been planned. Unemployment has thus grown over the years. The phenomenon has a Marxian character, and must be reckoned as a factor affecting wages. Does then Marx's subsistence theory apply here? One would certainly have a temptation to urge that it does. But one must be careful. The situation in our economy is more complicated than could be brought under the strait-jacket of Marxian theory. We have a unionised sector, as also a vast sector in which labour is not organised. And in the two sectors there are large disparities in wage rates. If Marx's rule at all applies to one, it fails in the other; there does not seem to be any inevitability about the equation between the price of labour and the value of labour. You cannot thus deduce an estimate of minimum subsistence from the supply price of labour. In the free market there is distress selling, and in the unionised market the trade unions resist a possible pressure from the unemployed. What constitutes minimum subsistence has therefore to be worked out independently, if at all it is to be used in the context of wage policy.

Once, however, the concept of minimum subsistence is divorced from market behaviour, the economist is in difficulty. His own science does not offer any guidance, and he has to turn to practitioners in other sciences. There also he faces difficulties — opinions of experts on the matter vary. The last Pay Commission was indeed hard put to it to find a solution. It gave a verdict based on an estimate of a group of experts which was way behind the estimate which is supposed to have been the basis of the tripartite agreement at the 15th Labour Conference. One may perhaps use one's hunch based on experience in comparable economies which have shown a reasonable degree of labour efficiency in the course of their economic development. Japan during the early part of the century and China of today may be cited as examples of a comparable economy where low wages have been shown to be consistent with the maintenance of labour efficiency; the calory intake of common labour in Japan during the period when it had its highest growth rate was very definitely lower than that assumed in the estimate of the last Pay Commission.

Unemployment is a crucial factor in the determination of wages. Abundance of labour keeps wages down. Yet the behaviour of labour being what it is, there is a limit below which wages cannot fall.[7] To argue, however, that the limit is set by a well-defined level of subsistence is misleading. There is indeed a snag in Marx's account of wage determination. If the unemployed are to continue to exist in society, so as to enable the capitalist to draw on them whenever there is a tendency to an excess demand, they have to be fed, even if scantily. If therefore the unemployed is the charge of the employed, the equation of wages to minimum subsistence which Marx envisages is merely formal; the effective rate turns out to be below subsistence when account is taken of the ration that the employed have to provide for the unemployed. In the classical subsistence theory this complication does not arise; there is no place for unemployment in the system. A tendency to an excess supply of labour is accompanied by starvation and death, while an excess demand is met by more births — and, of course, the unborn do not have to be maintained! However, the neatness of the classical system is secured at the expense of realism. Marx's theory is undoubtedly more realistic, but the snag is there. Marx seems to get out of the complication by restricting his theory to the industrial sector and by assuming that the unemployed reside in the agricultural sector. Land maintains surplus labour which is "set free" for the capitalist to take on for the industrial sector. Whatever nourishment is

needed to keep the unemployed alive is provided out of the proceeds of agriculture.[8]

This short excursion into history should be instructive. It should give our labour unions a perspective for an understanding of the implications of their wage claims. There is a certain *optimum relativity* between the level of wages of common labour in industry and the level of farm incomes, trespass beyond which causes trouble. If the former is so high as to overbear the price of inertia, then migration from rural areas gets a stimulus. The migrants add to the number of unemployed and under-employed in the urban area, and our social system being what it is, particularly among the lower income groups, they become "guests" of the employed. The benefit of high wages thus vanishes. A policy of high wages seemingly has an appeal, but in an economy where the per capita income is so distressingly low, it is a policy which is self-frustrating.

V

It is now possible to answer a question which has played an important part in discussions on wage policy. What are we to say about efficiency? Is not a policy of low wages inconsistent with the maintenance of the efficiency of labour? This surely is a pertinent question to ask. There does seem to exist a functional relation between wages and efficiency, at any rate within the range which is relevant to an underdeveloped country. As the level of wages is raised, there is a possibility that the worker's efficiency should increase. There is, however, an implicit link in this wage-efficiency nexus. If a higher level of wages is supposed to lead to greater efficiency, surely the presumption is that increased wages enable the worker to improve his own consumption standard. This is precisely where the paradox appears. If, as we have seen, with an increase in his income the obligations of the worker also increase, then the economy of high wages turns out to be a myth. In a society where an earning member has to look after not only his own wife and children, but also unemployed relatives, not unoften including co-villagers, an increase in wages fails to raise the consumption level of a worker if it is also accompaied by an increase in unemployment.

Further, when one is considering the problem of wage policy from the point of view of the national economy, one must not restrict one's vision to the unionised sector only; a national wage policy must bring within its purview problems of labour outside unions, too. The crux of the matter is that the average level of wages for the labour force as a whole is limited by the national output, given full capacity utilisation. Whatever one might say about the classical "wage-fund" in the context of an explanation of how wages are actually determined, it remains valid as a measure of the maximum at which the total wage bill can be sustained over a given period, consistently with a given planned rate of accumulation. Insofar as the level of wages is raised above average in one sector, it comes down below average in other sectors. Full integration of the structure of wages at a level higher than what the wage-fund permits is not a feasible proposition. You can raise the general level in money terms, but if it goes beyond the permissible limit, it can only result in inflation. If the organised sector in our economy is able today to maintain a high level of wages, it is because there is a large chunk of labour force outside it which is allowing itself to remain under-employed or wholly unemployed. Consider, for example, the rate for a daily wage-earner or the income of a small cultivator in our economy; either of these will be substantially less than the wages of ordinary, unskilled labour in the organised sector. It is remarkable that the same organisation often maintains two different rates for workers doing the same job — one for the regular employees and another for workers employed on a daily wage basis. Our Government's own rate for the latter works out to be less than half of that which it offers to the former.[9]

The concept of wage-efficiency nexus is not so simple as it is often made out to be. It is doubtful that we know precisely what level of consumption is adequate for a worker to maintain his normal efficiency. Wages in rural areas in most states or those of a worker engaged on a daily basis in urban areas are palpably low and are examples of distress selling. On the other hand, the level of wages of an unskilled worker in the organised sector, low as it is by what may be called "modern" standards, is without doubt on the high side, judged in the light of the general conditions of our economy. The differential indeed is such as to lend countenance to a presumption that efficiency of labour after all has less to do with wages than is commonly supposed. For, who will say that a small cultivator in the village whose earnings will be no more than half the earnings of an unskilled worker in the unionised sector shows less vigour in his work? The worker needs nourishment in order that he may have the *ability* to work. But this is not all; for his ability to bear fruit he has to have the *willingness* to work.

It is difficult to say in what way the worker's willingness to work is related to wages. The temper of labour unions being what it is, one suspects that there is a certain asymmetry in the relation. If the unions' demand for wages is not satisfied, then the workers will have less urge to work. But if wages are raised to meet the unions' demand, there is hardly any guarantee that the urge to work will be greater. If this is true, it is a difficult situation. And yet there is nothing in the situation to be surprised at. So long as a large differential exists, as it does in our country, between wages and top salaries,[10] it is only to be expected that the demand for higher wages on the part of labour unions will continue unabated, irrespective of the workers' contribution to production.

VI

This brings us on to the problem of fixing the maximum-minimum differential. While we argue for a policy of low wages in the bottom ranges so as to ensure that they do not get out of line with the income of the marginal farmer or of the wage rate for an agricultural labourer, we must ensure also that the salaries in the upper ranges are not out of line with the wages of common labour in the organised sector.

It is difficult to lay down a clear-cut criterion for fixing an appropriate ratio between top salaries and the minimum. In general the ratio tends to be relatively high in an under-developed country where the level of higher education in many fields is yet not commensurate with the needs of economic development and where therefore the supply of necessary expertise is disproportionately scarce. It sometimes happens in such countries that qualified personnel have to be imported from more advanced countries where the general levels of pay are high, with the result that whatever expertise is available within the country has also to be paid at rates higher than would be warranted by the paying capacity of the economy. Higher salaries in such cases are in effect fixed externally at the international level. They thus get out of line with the wages of purely indigenous labour which is in abundant supply. A kind of oligopoly is formed at the upper level which charges an extortionate price for its "scarce" services.

Conditions in India are different. An oligopoly of an upper class does exist. But it is palpably an artificial oligopoly, built into the system as a legacy of British rule. Indeed, whatever deficiencies India may have in other spheres, there is little evidence that it suffers from a shortage of trained personnel. The boot is on the other foot. If the concept of an international pay level is at all invoked here, it is not to permit import of foreign expertise, it is rather to prevent the export of our own expertise; the plea often put forward is one of "brain drain". We shall have something to say on this later. It can however be mentioned at once that while we have been experiencing undesired transfers of our own trained personnel, specially scientists and technicians, to foreign countries, we have also considerable unemployment among our university graduates, not excluding those belonging to science and technology. It so happens that since Independence the growth of universities and higher technical institutions in our country has outstripped the over-all growth of the economy.[11] Relatively to its requirements the economy seems indeed to have an excessive supply of trained personnel. In planning the ratio between minimum wages and top salaries one should therefore look for other criteria than would be suggested by international competition.[12]

There are two possible criteria which we might consider. One refers to what prevails in comparable economies. The experience of China in this regard at once comes to one's mind. From all accounts, it seems clear that bringing down the maximum-minimum differential has been an important part of wage policy in China in the post-revolution period. Whereas before 1949 the differential within an enterprise used often to be as large as 40 to 50, in recent years it has been brought down to as low a level as 5 to 7. The norm prescribed is 5, and if there are deviations here and there, they are of a small order.[13] It will be perhaps argued that the ordering of social life in China is different from what prevails in India, that the supply of community-based economic facilities are wider in China than in India and that therefore the top officer in India either in private enterprise or in the Government needs a relatively higher salary to take care of certain amenities which he has to provide for himself individually. Yet it is precisely here that our general plea for austerity comes in. If the system obtaining in our society makes for larger private expenditure, it is the system that is at fault, not our theory. An economy such as ours can ill-afford to maintain an income differential in enterprises higher than what obtains in China, nor is it necessary that it should, considering the state of supply of trained personnel relative to demand.

The other criterion which one could propose is based on what may be called the "cost of reproduction". If "cost of maintenance" of common labour is accepted as the basis of the determination of minimum wage, it is surely arguable that for the determination of higher salaries the basis should be the cost of turning out trained personnel. And this means, besides maintenance, the cost of investment in education and training. The formula which suggests itself in this regard is one which is used for computing what Keynes calls "marginal efficiency of capital". The excess earning of trained personnel over minimum wage must be enough to compensate for investments in education and training, having regard to the prospective duration of an man's active career. To be sure, this is too bare a formula and does not take account of the inducement needed for a person to undergo the necessary training or of any incentive for the expression of a person's special talent. One does feel, however, that even when adjustments are made with due regard to these considerations, the warranted span of wage-salary differential in an enterprise, net of tax, would not surely exceed what obtains in China, when account is taken of the fact that the return from investment in education does not belong wholly to the individuals concerned. Education in our country, as elsewhere, is highly subsidised, and a large part of the return belongs to the state. When the matter is viewed in this way, income taxes — deductions from gross salaries — appear as a kind of return on public investments in education and training.

The approach suggested here is in the best tradition of political economy; it is indeed an extension of the classical theory of wages to cover salaries of higher grade employees in an enterprise. If the classical economists did not follow up their theory along this line,[14] it is because their interests were confined specifically to the relation between the labouring class and the capitalist class as such. Today in our society an inordinately large element of profit and rent lies concealed within "wages" at higher levels, and there is as much conflict between incomes at different levels as the classical economists in their time saw emerging between capitalists' profits and the wages of common labour. Top salaries in enterprises in our country, net of income tax, are often 16-18 times as high as wages of unskilled workers. With perquisites added the differential would be higher still. Even in the government, where wages and salary levels are periodically scrutinised, the span of incomes (also net of tax) between the top and the bottom would work out at no less than 12-fold. If a system permitting such high differentials is still tolerated it is because the beneficiaries happen to belong to a class which, though small, is dominant in our society and has also the intellectual ingenuity to rationalise the differentials. High salaries are justified by their recipients on the ground that their contribution to production is high.

Let us examine the claim.

VII

How does it happen that a film star receives a remuneration which is so much higher than that of a garbage collector? Why does a foreman receive more than an unskilled worker, or an accountant more than a ditch-digger? These are stock questions to be found in economic textbooks.[15] The answers given are also stock answers: Anybody can do the work of a garbage collector, whereas there is perhaps only one star like Gable in the market; similarly foremen and accountants are few and ditch-diggers are many. Alfred Marshall describes the phenomenon as an "evil paradox" — dirtiness of work going with lowness of wages. Yet, while the paradox is recognised as an evil, it is accepted as a part of the market game. Wages, it is argued, are higher or lower in the market in proportion to the degree of scarcity in the supply of labour. If the remuneration which the society offers to an administrator or an engineer is high relatively to that which is offered to a garbage collector or a ditch-digger, it is because the former's supply is so much more scarce than that of the latter. From here it is just one step to what is known as the marginal productivity theory of wages — a theory which ascribes wages to the contribution of labour to production, as measured by "the difference between the total physical product which is actually secured and that which would have been secured from the same quantity of other resources if the number of labourers had been increased or diminished by one".[16] The theory assumes diminishing returns from individual factors of production, whereby it is shown that the marginal productivity of a category of labour rises or falls according as its supply is more or less scarce, the condition of demand remaining the same. Within the framework postulated, scarcity and "margi-

nal productivity" in fact come out to be convertible concepts.

Now, it is true that the neo-classical economists, to whom this marginal productivity theory is due, have by and large been careful not to attach in an explicit manner a normative significance to the theory. Yet the implication of the theory is clear: If economic equilibrium is not to be disturbed and resources are to be allocated rationally, wages must be permitted to accord with the marginal productivity of labour. The theory thus provides sanction for the pattern of wages and salaries such as has evolved in capitalist societies. The "evil paradox" is accepted as an economic compulsion, if not as a moral imperative.

There has been a lot of debate in recent years concerning the appropriateness of the marginal productivity theory as an explanation of the wages of labour. The debate has centred on the wage-profit relationship. It is now generally agreed that the theory involves circular reasoning, that the technical condition of production being what it is, one does not know what the marginal productivity of labour is unless one knows what the rate of profit is. In our present context it is not capital alone that is involved; we have to deal with heterogeneous sorts of labour, and this makes the problem more complicated. Further there are enterprises whose products are not saleable, and there is no knowing how much is lost when a unit of labour is withdrawn and how much is gained when an additional unit is employed. What, for example, are we to say about the "contribution to production" of a Secretary to the Government of India in relation to that of a typist who works with him, or of a Professor in a University in relation to the Assistant who helps him in his researches? In cases like this it looks as if it is more appropriate to say that marginal productivity is derived from the price of labour than that the price of labour is derived from its marginal productivity!

These logical difficulties apart, the concept of scarcity makes little sense when there is widespread unemployment of labour — precisely the situation which prevails in our economy. In a situation like this the concept which is relevant is just that of a minimum supply price. And so we find ourselves back to the classical world, to "cost of reproduction" and all that. Much of what goes on in the name of scarcity in our economy is indeed the creation of social institutions. Salaries at higher levels contain elements which are a surplus and "do not enter into price". Their persistence can be explained only in terms of organised oligopolistic class interests. To invoke a theory of productivity as sanction for these high salaries is not only not warranted, it is wicked.

There is one aspect of the scarcity principle which deserves special consideration. This is the concept of "transfer price". Insofar as there exist alternative opportunities open to a particular service, the degree of scarcity of its supply in one *given* line can be defined in terms of the pull that attracts it from alternative directions. The service has thus a transfer price with respect to a given line, defined by the remuneration which it could earn in the next best alternative line open to it. If an adequate supply of the service is to be retained in any one line, the price that it offers must not be less than this transfer price. This therefore is the supply price of the service, the minimum price at which it is available.

Now, in an economy where wages and salaries are not controlled with a social purpose, an inflated salary structure may obtain in one sector, being the result of special conditions surrounding it. This affects the transfer price of labour all along the line, and a tendency operates towards a general levelling up of salary scales. This is precisely what is happening in our country. For reasons which we have already stated, fancy salaries prevail in the private sector, which are completely out of tune with the general conditions of the economy, and these set a limit below which salaries in the public sector cannot be brought down. You cannot fix the pay structure of employees in the public sector in complete disregard of their transfer price. You may not know how you would define the "contribution to production" of a Secretary to the Government of India or of a Professor in a University. But you know that the former might move to a private firm in a managerial capacity, and that the latter might take to journalism.

All this is true. If indeed the pay structure in one of the more important sectors in the economy is given as a datum, then the transfer price of entrants into the other sectors is determined. And if the former maintains an inflated structure, the latter cannot ignore it while fixing their own pay structure. A certain inter-sectoral relativity in wages and salaries has to be maintained if there is to be an even distribution of manpower in the economy. This is precisely the argument which a Pay Body finds itself facing when its terms of reference are restricted to one sector or one industry alone. And this is precisely the reason why we need a national wage policy to curb excesses wherever they occur.

VIII

A part of the problem of transfer price still remains, which needs attention. Suppose we succeed in bringing down wages and salaries at all levels all along this line. This means that in regard to any occupation the domestic transfer price is brought under control. Even then there remains the problem of international transfer price of our trained personnel. Will not a general cut in salaries lead to a transfer of man-power abroad and a consequent waste of resources spent on its training? What are we to say about the so-called "brain drain"? Even as it is, our trained personnel are attracted to more advanced countries, particularly the USA, by higher emoluments obtaining there. Levelling down of salaries may, it is feared, accentuate this tendency. If only to prevent this tendency, it is urged that high salaries are to be maintained for our trained personnel whose services have an international market.

The argument is appealing. But it does not bear analytical scrutiny.

First, the highest paid categories in our society — administrators and factory managers — are the least prone to the "brain drain" effect. As it is, external demand comes by and large for the services of technologists and scientists, especially doctors. And yet even within our domestic pay system these categories are being denied their legitimate place. So long as this anomaly in internal relativity remained unresolved, this talk of "brain drain" would seem totally fatuous. Here, as elsewhere, due recognition of status within the economy would be a better method of attacking the problem than any attempt towards an adjustment of external relativity.

Secondly, — and this reinforces the above contention — in regard to those categories whose services are demanded internationally, the transfer price happens to be so high that moderate readjustments in domestic salary scales would have little effect upon the decision of would-be migrants.

Thirdly, where unemployment is pervasive, the social loss involved in the migration of trained personnel is not as great as it would appear to be; vacancies created by migrants could be filled in by candidates in the waiting list.

Finally, even assuming that a general cut in salaries would result in an accentuation of the tendency to the migration of talent, the resulting loss would surely be of a minor order when compared with the gain to society from a general levelling down of wages and salaries and the consequent saving in wage-costs and in expenditure on luxury consumption.

The so-called "brain drain" has to be accepted by an under-developed country as a fact of existence as a member of the international community, if it wishes to be one. There are however two saving factors. First, the developed countries have their own unemployment problem at different levels to take care of. There is therefore a limit to the absorptive capacity of the market for foreign expertise in these countries. Secondly, there are forces outside pecuniary interests which hold back people from foreign assignments — the will to serve one's own country. A Bhabha or a Mahalanobis could not surely be lured away from home by higher emoluments anywhere, whatever the pressure might have been. And fortunately there are still many amongst us whose sense of dedication to the country's interests is strong enough for them to resist pecuniary pressures from abroad. For the rest, one must take the consequences of an International System; one must surrender that which one cannot protect.

Yet there is one possible remedy which the international community may seriously consider. The problem essentially is one of less developed countries being given adequate compensation against the cost of education and training that it undertakes concerning persons whose services are exported. And of course it should be the obligation of the richer country which enjoys these services to pay this compensation. One possible way of attacking the problem is to have an international agreement such that a percentage of the revenue that the recipient country derives from income taxes on migrants is given over to the country from which migration takes place. It is generally agreed that international migration is assuming a perverse character. It is not unskilled labour, of which there is abundance in less developed economies, but trained personnel whose education involves costs that have freer access to the more developed countries. It is urgent that some compensatory action against losses on this account is taken under the aegis of the United Nations as part of the "trade — not aid" programme. The problem of "brain drain" indeed is one of international finance rather than one of domestic wage adjustment.

IX

Having regard to the criteria of wage policy which seem appropriate for an under-developed economy, we have argued here for a low wage policy. Our theory of wage policy has been based on the concept of a minimum that needs to be paid to different categories of labour for their respective supplies to be maintained at appropriate levels. Costs of reproduction have been shown to be the factor determining such a minimum for any particular category.

However, while accepting this austere principle of wage fixing, would we not concede that the level of wages and salaries should be permitted to rise as the economy progresses over time? Should not labour be given a share of of the increments in productivity that the economy secures as a result of additions to investment and associated improvements in technology? The answer is not unambiguous.

There is no doubt that the general consensus among labour economists, not to speak of labour leaders, would be in favour of periodical revisions in wages so as to allow labour to share a part, if not the whole, of the increments in productivity that the progress of the economy entails. This seems to be the view of the Planning Commission also. In it latest Draft Plan the Commission urges that "Increases in wages should be closely correlated with increase in productivity".[17] On the face of it the argument seems plausible. The policy to keep wages down, and thereby to keep the level of consumption down, to a minimum is a policy which involves strain on labour and ought surely to be relaxed as soon as the occasion for it is over: the fruit of economic progress must at some stage be allowed to percolate to the wage-earner if production is to be at all meaningful. However, in spite of its wide appeal and in spite of the high authority of the Planning Commission in its favour, the proposition cannot be accepted without reservation: the condition which it fits is remote, so far as the Indian economy is concerned.

Under conditions of full employment or near-full employment, it is inevitable that increased productivity per head of labour should be accompained by higher wages, and perhaps also by higher salaries. This latter depends upon whether the differentials in the base period are considered "optimum" or not, as indicated by the criteria that we choose. Full employment or near-full employment, however, is a distant hypothesis. In an economy such as ours which is afflicted with unemployment and under-employment of an enormous order at all levels, there is no case for a relaxation of our principle of austerity. In our present circumstances it would be not only immoral, but also uneconomical and hence irrational not to devote the entire surplus that accrues to the economy in the wake of progress to the absorption of the unemployed.

So far, so good. And yet our story does not end here. The organised sector, to which most of what we say on wage policy relates, forms only a tiny part of our total economy. The number employed there is less than 10 per cent of the total labour force in the economy and perhaps not more than 30 per cent of the urban labour force. A vast majority of income earners lie outside the organised sector, and it is there that the highest (as also the lowest) income group reside. How would one deal with the inordinately large incomes that are enjoyed in the unorganised sector by persons who belong to just the class from where upper salary earners in the organised sector are recruited? Are not these high incomes contrary to a rational wage system such as we are contemplating? They are, and they have to be controlled. A wage policy, however adequate it may be, would be poor comfort for the economy if it were not accompanied by a comprehensive incomes policy.

In countries where the larger part of personal incomes consists of wages, incomes policy is not often distinguished from wages policy. Indeed in some of these countries incomes policy is just a sort of euphemism for a policy for containing wage-costs as an anti-inflationary device. In our country the situation is different. If there is one thing of which one can be certain, it is that inflation in India is not "cost-induced" in the sense in which it is understood in the West — real wages in our economy have indeed lagged behind productivity. Nor do wages in the organised sector in the economy form a large element as compared to other incomes. In context of our economy, therefore, incomes policy has to be considered on its own. Clearly, this is a more complicated matter, and I would suggest, as a simplifying first step, that an endeavour should be made to bring more and more categories of income under the wage system, so that they may be directly controlled; I would not rule out nationalisation of certain professions

— such as the lawyer's or the doctor's. For the rest, we would indeed have gone a long way if only the Government's own commitments in matters like land distribution, urban property holdings, etc, were acted upon with rigour and consistency. Into these details I do not propose to enter here. For our present purpose it is enough to say that the success of a rational wage policy is contingent on an appropriate incomes policy, and that for tackling the latter the Government must not rely on fiscal policy alone but must act directly on the distribution of property. It is an odd society indeed where a man who does not work is permitted to have more than one who does work. And yet this is the kind of society which we are allowing ourselves to be in; the rentier's income is often a multiple of top salaries in our economy!

Having said all this, I shall ask one final question: What prospects are there that our policy makers will accept the arguments of this essay, that anything like a social purpose will be allowed to determine wage policy in our country? The question has two aspects. First, is the operation of the policy feasible? And second, will it be done?

Concerning feasibility, there can be no better affirmation than actual experience. Twenty years ago, when the Imperial Bank of India was nationalised, the newly constituted Board of Directors of the State Bank of India (as it was renamed) made a drastic cut in top salaries, and the Government gave its assent to it. Even the current incumbents accepted it — on just this assurance that in their case the salary adjustments would be made in instalments. If one institution, acting alone, could do this, how much less difficult should it be for the organised sector as a whole to take a concerted action along the line under the aegis of the state?

What then are we to say about the second part of our question? Here one has reasons to be sceptical. Wage policy is an aspect of social relations, and there is conflict inherent in these relations. Within the body of the employed it is a conflict between the high and the low, such as finds expression in trade union activities. Beyond it also there is a conflict which, though not articulate, is yet not less serious — the conflict between the employed and the unemployed. An understanding of perspectives, towards which the present essay purports to be a contribution, is a necessary condition for the solution of these conflicts, but not a sufficient condition. Knowledge must be aided by the policy-maker's will to use it with a social purpose. Now, this is where the system fails. Our policies are directed by a handful of men at the top, and these men are themselves involved in the conflict which they are supposed to resolve. It is a contradiction, and yet there we stand. Our small world, alas, is led less by reason than by vested interests.

Notes

[The central part of this article is based on two lectures that the author delivered at the Institute of Development Studies, University of Sussex, in the Summer of 1973.]

1 Since neither the capitalists nor the labourers can "live on air", the concept of "maximum rate of growth" apparently signifies that both live on "minimum subsistence"; a part of the income of the capitalist may indeed be considered to be of the nature of "wage".

2 See on all this my, "The Economics of Austerity" (Shastri Memorial Lecture, Banaras Hindu University, 1974).

3 See Amartya Sen, "Dimensions of Unemployment in India", Convocation Address, Indian Statistical Institute, 1973.

4 See my paper on "Differential Rates of Interest", *Economic and Political Weekly*, Vol VII, Number 27, 1972.

5 Adam Smith, "Wealth of Nations" (Everyman's edition) Vol I, p 60. Smith is aware that the worker has to maintain not only himself but also his dependents. He quotes an estimate of Cantillon saying that a common labourer must earn at least double his own maintenance, so as to be able to bring up two children, the wife's earning being supposed to be not more than sufficient to provide for herself. It is interesting to note that Cantillon's estimate, done more than two hundred years ago with reference to conditions prevailing in his own country, has a close affinity to the approach adopted by the last Pay Commission. The latter assumes, very much as Cantillon did, that the maintenance cost of two children is equal to that of one adult; but unlike Cantillon, it considers the wife to be a dependent also. A small survey that we conducted at Sewa Nagar, New Delhi, corroborates, for whatever it is worth, the Commission's assumption of the dependency ratio.

Smith himself is non-committal. Thus he says: "Thus far at least seems certain, that, in order to bring up a family, the labour of the husband and wife together must, even in the lowest species of common labour, be able to earn something more than what is precisely necessary for their own maintenance; but in what proportion, I shall not take upon me to determine." Cantillon's was a hunch on which Smith chose not to depend. Now that we have a well-developed survey system, it should be possible to find out more accurately than our ancestors could, the normal dependency ratio of an unskilled worker.

6 Some recent authors have given precision to this latter aspect by showing that there is an equilibrium in the employer's demand price for labour, which runs in terms of the functional relation between wages and efficiency. See, e g, Pradhan H Prasad, "Growth with Full Employment" (Allied Publishers, New Delhi, 1970), Chapter V.

7 "It is better to play for nothing than to work for nothing", so runs the proverb. Quoted in "Wealth of Nations", Everyman's edition, p 299.

8 Compare, e g, the following passage: "Although the number of the tillers of the soil was decreased, the land produced as much fruit as before ... When, therefore, part of the rural population was set free from the land, the means of subsistence with which they had been nourished as landworkers were likewise set free. Such means of subsistence were transformed into the material elements of variable capital". Karl Marx, "Capital" (Everyman's library) p 826.

9 *Cf*, 'A Note of Dissent' by A K Das Gupta and Niharranjan Ray, "Report of the Third Central Pay Commission", 1973, Vol IV, p 101.

10 The word "salary" is used here to mean "wages" at higher levels.

11 *Op cit*, p 110, Annexure 1.

12 *Op cit*, p 101, paragraphs 9 and 10, from where this and the previous passage have been substantially taken.

13 See Christopher Howe, "Wage Pattern and Wage Policy in Modern China, 1919-1972" (Cambridge University Press, 1973), especially Table 24.

14 Ricardo recognises that labour differs in terms of "the ingenuity, skill or time necessary for the acquirement of dexterity". But he does not go beyond stating that different qualities of labour are differently rewarded and that these rewards are adjusted in the market "with sufficient precision for all practical purposes". ("Principles", Everyman's edition), pp 11-12.

15 See, e g, Kenneth E Boulding, "Economic Analysis", 1st edition (London, 1948), Chapter 10; Paul A Samuelson, "Economics", 1st edition (New York, 1948), Chapter 5. The examples have been taken over from these authors.

16 J R Hicks, "The Theory Wages" (London, 1935), Chapter 1, p 8.

17 Draft Fifth Five-Year Plan, Part 1, p 24.

18 Let it be understood that our concern is with "real" wages. We thus assume stable money, or, alternatively, full adjustment of money wages to variations in consumers' price index.

Demographic Transition among Parsis: 1881-1971

II — Level and Trends in Mortality

Leela Visaria

The Parsis have been a remarkable exception in the general Indian demographic scene. Their fertility and mortality levels have steadily declined over the past century. In fact, their fertility is so low that despite high life expectancy, the number of Parsis has been declining for more than two decades now.

This paper examines the trend in fertility and mortality levels of Parsis. It seeks to examine the transition from high levels of fertility and mortality to low levels and the factors which have brought about this transition. The size and the sex-age composition of the Parsi population are also discussed to facilitate an understanding of their fertility and mortality levels.

The article is published in three parts. The first part discussed the size of the Parsi population and the change in the age-sex composition. The level and trends in mortality are examined in the second. The third part will deal with trends in fertility.

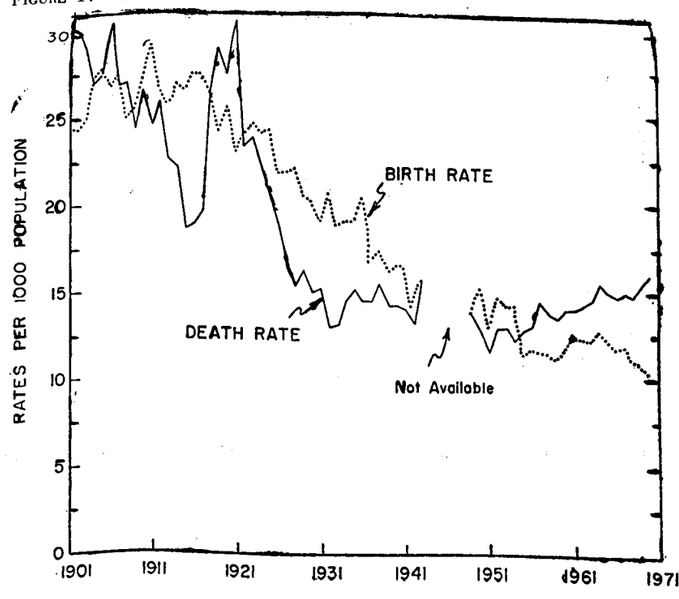
A STUDY of the level and the trend of mortality is of special interest because it serves as an indicator of the health enjoyed by the community. Estimates of mortality are possible on the basis of more than one source and by pooling them, it is possible to build up a history of changing mortality among the Parsis for nearly a century. The vital statistics for the Parsis resident in Bombay are available from the registration records of the Municipality of Bombay.[17] The data on deaths are collected also on the basis of bodies consigned to the 'Dokhma' or the Tower of Silence.[18] Some Parsi deaths might escape recording if some bodies were not consigned to the Tower of Silence, but such cases are believed to be few. On the other hand, still-born babies as well as persons whose bodies might be brought to the Tower of Silence from outside Bombay get included in the data. The number of Parsis from outside Bombay, consigned to the Dokhma in Bombay, although non-zero, is believed to be negligible. In spite of the possibility of such errors in the registration data, they are generally quite reliable and provide us with a very valuable series of annual death rates and infant mortality rates starting with 1901. For years beginning with 1947, the figures of still-births are also available and can be excluded from deaths.

In addition, average death rates during successive decades between 1881 and 1931 have been estimated with the help of the forward survival technique from the all-India age distribution of the Parsis and the inter-censal rates of growth.[19] These estimates not only go beyond the period covered by the registration data but provide an independent consistency check on the latter.

The annual death rates (as well as birth rates) and infant mortality rates estimated from the registered data collected by the Parsi Panchayat of Bombay for the period 1901-1970 are shown in Figures 1 and 2. In Table 3 are presented the death rates and the estimates of the expectation of life at birth for males and females, derived from the All-India census age distributions of the Parsis for the period 1881-1931.[20] Table 3 also shows the estimates of vital rates for the total population of the subcontinent to provide a comparative perspective on the low levels of Parsi mortality.

It is evident from these estimates that the downward trend in mortality among the Parsis started prior to 1881. A death rate of around 30 during the late 19th century is clearly quite low in the context of the Indian subcontinent of that period. The all-India estimate of death rate at the turn of the century was around 42; nearly 40 per cent higher than that for the Parsis. During 1891-1901, when the Western region of the subcontinent experienced high mortality due to a series of famines and plague epidemics, the death rate of the Parsis remained quite low. Such ability to withstand the ill effects of

FIGURE 1: BIRTH AND DEATH RATES FOR PARSIS IN BOMBAY CITY, 1901-70



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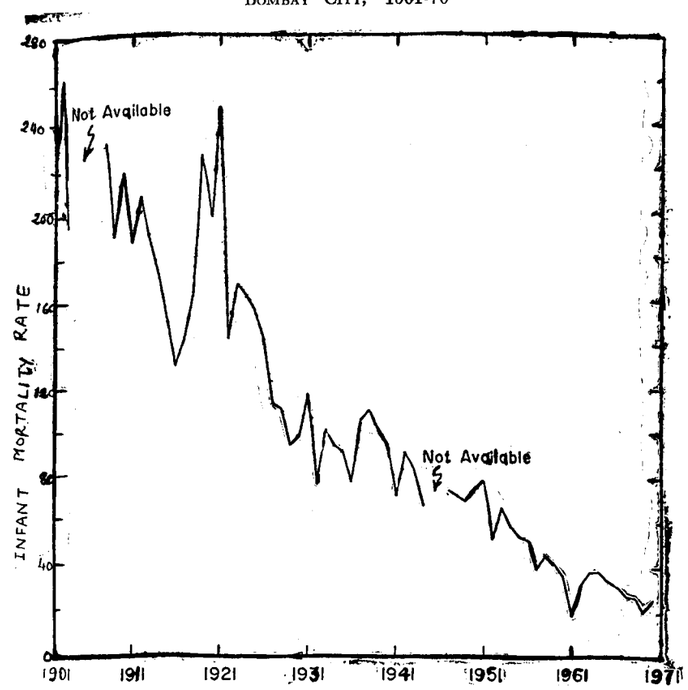
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calamities reflects the relative economic prosperity of the community. However, the downward trend in mortality was apparently halted during the period and the death rate remained steady at 30. During 1901-10, the death rate declined and the expectation of life at birth increased sharply. This improvement does not seem to have been sustained during the next decade 1911-20 and the influenza epidemics of 1918-20, which severely hit western India in general, and Bombay city in particular, seem to have caused heavy mortality among the Parsis as well. This is evident in Figures 1 and 2 which show, between 1917 and 1921, an increase in the death rate and the infant mortality rate. The decade 1921-31 was relatively free from major epidemics or other calamities. The decline in mortality among the Parsis during this decade was substantial, according to the estimates based on the census data, the death rate reached a low value of 18.

Table 3 indicates a remarkable closeness between the death rates estimated from the age distribution of the Parsis in the whole of the subcontinent up to 1931 and those based on registered deaths for Greater Bombay, especially for the decades 1911-21 and 1921-31. The average death rate in Bombay during 1901-11 was about five points higher than the estimated average for Parsis in India as a whole. This is not implausible in view of the suggestive evidence in the subcontinent that prior to the Second World War, the three large cities of Madras, Bombay and Calcutta experienced substantially higher infant mortality than the respective provinces. (The average infant mortality rate during 1911-13 was nearly 400 in Bombay city and slightly less than 200 in the Bombay Province.) This pattern changed over time and by the late 1940s, the differentials between cities and rural areas had narrowed significantly.[21] The high infant mortality rates in the cities could partly reflect biases in registration; the difficulty of disposing of the dead bodies could lead to more frequent registration of births that were followed by deaths. Some of the National Sample Survey data for the early 1950s have also suggested higher infant mortality rates in urban areas than in rural. It seems likely that epidemics such as plague or cholera and other infectious diseases which were the main causes of high mortality spread rapidly in congested urban centres. Although the Parsis of Bombay had more resources to withstand the impact of epidemics or other calamities such as famines than the rest of the population of the city, they could not have altogether escaped their

FIGURE 2: INFANT MORTALITY RATE PER 1,000 LIVE BIRTHS FOR PARSIS IN BOMBAY CITY, 1901-70



effect. On the whole, the remarkable similarity between the two sets of estimates based on different sources and methods confirms the essential validity of the estimates.

The non-availability of age data between 1931 and 1961 leaves us with only the estimates based on the registration of vital events in Bombay city. According to these, the death rate fluctuated between 12 and 14 up to 1951. Since 1951, the death rate has moved slightly upward due to the changing age structure. (For 1970-71, death rate was about 16 per 1,000 population.) As will be seen below, the possibility of a further increase in the survivorship of the young, which would reduce the death rate, has been nearly exhausted. Further, the infants form a very small proportion of the total population while those aged 60 years or more form nearly one-fifth of the population. The gain in longevity at older ages occurs slowly and the elderly are naturally subject to a large number of physical ailments, many of them fatal.

Direct data on infant mortality rates are available only from 1901 onwards for Bombay from the registration statistics. According to these data, infant mortality rate was as high as 220 per 1,000 live births during 1901-11. In other words, one out of every five Parsi babies born died before completing its first year of life. However, after 1911, and particularly since 1921 infant mortality has steadily declined. During 1941-51 the infant mortality rate was only half (72) of what it was 20 years earlier (144). By the late 1960s, the infant mortality rate was as low as 25 per 1,000 live births, a level that was attained by the United States only around 1962.[22] This substantial reduction in the mortality of Parsi infants indicates the high quality of medical and health care that the community is able to provide to its members.

Mortality improvement is also evident in the estimates of life expectancy at birth (e_0^o). As noted in Table 3, e_0^o of the Parsi males around 1881-1901 was nearly 32 years — a value significantly higher than that for the Indian subcontinent as a whole. In the subsequent two decades, after a small dip during 1891-1901, the e_0^o improved for both males and females. The decennial average for 1911-21 was, however, affected by the heavy impact of influenza epidemics. During 1921-31, e_0^o reached relatively high values of 46 years for males and 50 years for females. (The corresponding estimates of e_0^o for the country as a whole were 25 and 22 years for males and females, respectively.) The estimates of e_0^o for Parsis in Greater Bombay during 1960-62, based on the registered deaths by

TABLE 3: ESTIMATED DEATH RATES AND THE EXPECTATION OF LIFE AT BIRTH AMONG THE PARSIS OF INDIAN SUBCONTINENT DURING 1881-1931 AND AMONG THE TOTAL POPULATION OF THE SUBCONTINENT DURING 1891-1931, AND THE ESTIMATES OF DEATH RATES AND INFANT MORTALITY RATES OF THE PARSIS IN BOMBAY CITY, 1901-70

Period	Death Rates Estimated on the Basis of the Age Data Indian Subcontinent	Death Rates Estimated from the Registered Deaths Bombay	Infant Mortality Rates Estimated from the Registered Infant Deaths and Births Bombay (Decade Average)	Expectation of Life at Birth Estimated on the Basis of the Age Data Indian Subcontinent	
				Males	Females
			Estimates for Parsis		
1881-1891	29.1	NA	NA	31.8	34.3
1891-1901	29.7	NA	NA	30.3	33.2
1901-1911	22.7	27.9	219	37.7	40.9
1911-1921	25.1	24.1	177	35.0	38.8
1921-1931	17.7	18.7	144	46.1	50.0
1931-1941	NA	14.1	98		
1941-1951	NA	13.9	72		
1951-1961	NA	13.1	54 1960-62*	65.7	69.2
1961-1970	NA	15.0	37 1968-70*	66.6	70.5
			Estimates for India		
1891-1901	50.5			18.8	17.9
1901-1911	41.5			23.1	20.7
1911-1921	48.2			19.7	18.2
1921-1931	37.5			25.3	22.1
1931-1941	31.2			32.1	31.4
1941-1951	30.0			33.7	33.1
1951-1961	25.7			37.8	37.0
1968†	16.8			49.7	47.3
1969†	19.1			48.1	45.0

NA: Not Available
* Based on the age specific death rates available for Greater Bombay.
† Estimates based on the data collected under the sample registration scheme in *Rural India* only.

Sources: Sapur F Desai, "A Community at the Cross-Road", Bombay: New Book Co. 1948, p 29.
Census of India, 1961, Vol X, Maharashtra, Part X (1-D), Parsis of Greater Bombay, Bombay. The Maharashtra Census Office, 1971, p 17.
Leela Visaria, "Religious and Regional Differences in Mortality and Fertility in the Indian Subcontinent", PhD thesis submitted to Princeton University, March 1972, Chapter V.
Some unpublished birth and death registration data obtained from the Parsi Panchayat, Bombay.
Kingsley Davis, "The Population of India and Pakistan", Princeton, Princeton University Press, 1951, pp 62, 85.
Pravin Visaria, "Mortality and Fertility in India", *Milbank Memorial Fund Quarterly*, Vol 47, No 1, January 1969.
Office of the Registrar General, Vital Statistics Division, Measures of Fertility and Mortality in India, SRS Analytical Series No 2, Delhi, 1972.

age, showed a longevity of 69 years for females and 66 years for males.[23] Relative to the rest of the Indian population, the Parsis indeed enjoy a substantial advantage in health and longevity. Their mortality started declining during the last decades of the 19th century and is now comparable to the developed countries of the world.

The estimates of life expectancy at birth for five decades, based on the census data for all-India for 1881-1931 and presented in Table 3, may be compared with those prepared by C Chandra Sekar for 1910-12 and 1930-32 on the basis of registered deaths of Parsis in Bombay city.[24] Chandra Sekar's estimate of life expectancy during 1901-12 (37.6 years for males and 38.4 years for females), are quite close to those based on the census age data for 1901-11 (Table 3); while his estimates for 1930-32 (52.2 and 54.2 years for males and females, respectively) appear to be relatively high compared to my estimates for the decade 1921-31. This difference is not very surprising, however, because the average estimates for the 1920s can be taken to refer to the mid-point of the decade, i e, about 1926. It is evident from the annual death rates plotted in Figure 2 that the pace of decline in mortality probably accelerated after 1920 and the average annual death rate dropped from 19.1 during the three years 1925-27 to 14.9 during 1930-32. Infant mortality dropped from about 170 to around 110, i e, by 35 per cent over the five-year period.

According to all estimates for the Parsis, the life expectancy of females has always been greater than that of males, by about three to four years. Thus, unlike the females in India, Pakistan and Sri Lanka and some small pockets of population elsewhere, where males have a better record for longevity than females,[25] Parsi women enjoy a higher average length of life than men. Evidently, Parsi females are generally treated on par with males so that their biological superiority is not thwarted by contrary socio-cultural influences.

Notes

17 Data for the period 1901-46 are available in: Sapur F Desai, "A Community at the Cross-Road", Bombay: New Book Co, 1948, p 29. Data for the subsequent period have been obtained from the records of the Parsi Panchayat.

18 The Parsis neither cremate nor bury their dead. Instead, the bodies are cast to the vultures in the 'Dokhmas' or 'Towers of Silence.' The religious belief behind this practice appears to be that all that is dead is impure, and since neither the earth, nor fire, nor water should be defiled, the dead bodies are left to vultures.

19 A detailed discussion of the forward survival method used to derive vital rates such as the death rate, expectation of life at birth, birth rate and the gross reproduction rate from the age distributions is outside the scope of the present paper. The technique of analysis and its applicability to the data is discussed at length in the author's PhD dissertation, "Religious and Regional Differences in Mortality and Fertility in the Indian Subcontinent", accepted by Princeton University, Princeton, March 1972.

20 Similar estimates have not been prepared separately for the Parsis in Bombay city because the underlying techniques of analysis are not valid for a population that is subject to migration.

21 See, Warren C Robinson, "Urban-Rural Differences in Indian Fertility", *Population Studies*, Vol XIV, No 3, March 1961, pp 218-234.

22 The infant mortality rate of the United States has been higher than that of some of the Western European countries such as Sweden, Norway, the Netherlands, Belgium, which are more or less at the same stage of overall economic development.

23 For an extended discussion of the life tables from which these estimates are derived, see: Leela Visaria, *op cit*, PhD Thesis.

24 See, C Chandra Sekar, "Some Aspects of Parsi Demography", *Human Biology*, Vol 20, No 2, May 1948.

25 For a review of the sex-pattern of mortality and differences in life expectancy at birth, see: Pravin M Visaria, "The Sex Ratio of the Population of India", Office of the Registrar General, India, 1971, Chapter 8.

(To be concluded)



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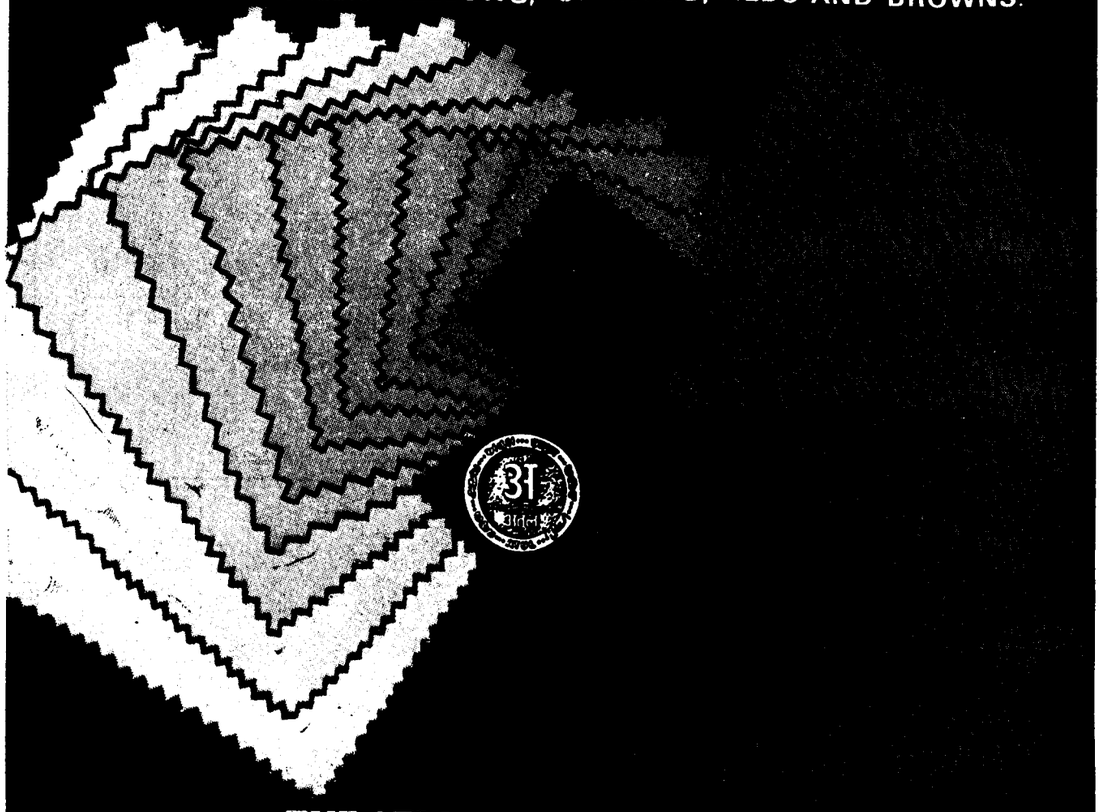
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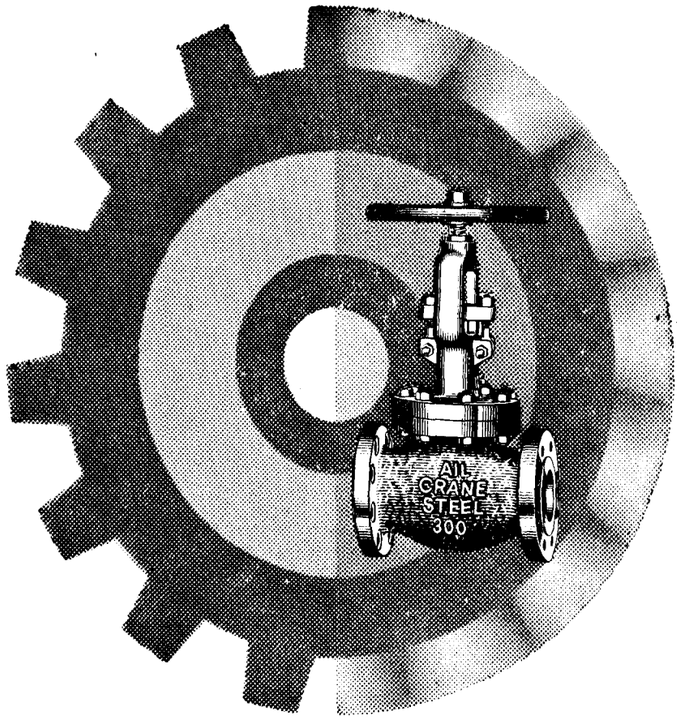
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Investment, the Key

THE average index of industrial production for January-April 1974 shows a rise of 1.1 per cent over the index for January-April 1973; even over January-April 1972, the growth in the index is only 1.6 per cent.

For about a decade between 1955 and 1965, industrial output had grown at the rate of 8 to 10 per cent per annum. During this period, the increase in gross fixed assets formation among large and medium companies in the private sector averaged 9 to 10 per cent per annum and that in net assets formation around 7.5 to 8.0 per cent per annum. Employment in organised industry too had expanded by about 6 per cent annually for a decade upto 1965-66. Since then the growth rates of industrial investment, output and employment have been consistently low — lower than in the past, lower than the targets, lower than the minimum requirements of the economy, and above all, much lower than the potential.

Industrial production actually declined in 1966 and 1967. There were increases of 6.8 per cent in 1968 and 7.5 per cent in 1969, but these were not sustained in the subsequent years, except in 1972 when the growth rate was 7.1 per cent. In the other years, the growth of industrial production ranged from 5.1 per cent in 1970 to 1 per cent in 1971 and 0.7 per cent in 1973. In the Fourth Plan as a whole, as the IDBI's latest Annual Report points out, the annual compound rate of growth of industrial production was about 3.9 per cent against the Plan target of 8 to 10 per cent. The general index of industrial production (base: 1960=100), which should have reached 244-267 by 1973-44 on the basis of Fourth Plan targets, actually stood at 201. More important, the shortfall has been particularly conspicuous in basic and capital goods industries. As per the Fourth Plan targets, the index of output of basic goods should have reached 317 by 1973-74 and that of capital goods 468, whereas the actual figures were 251 and 281, respectively. Against the targeted growth rates of 9.9 per cent and 17.1 per cent, the actual growth rates were 4.9 per cent and 5.9 per cent, respectively. Even the rate of 5.9 per cent for capital goods industries is fictitious, being largely the result of price increases in 1972-73 and 1973-74, when the index of output of capital goods rose by 10.4 per cent and 11.9 per cent against 1.4 per cent in 1969-70, 6 per cent in 1970-71 and 0.4 per cent in 1971-72.

Fixed assets formation by companies in the public and private sectors also dropped markedly during this period. For the Reserve Bank's sample of government companies, the rate of gross fixed assets formation steadily declined from 11.8 per cent in 1966-67 to 6.1 per cent in 1971-72 and that of formation of net assets from 8.5 per cent to 1.7 per cent. There was some improvement in 1972-73 because of the rise in public sector investment in that year, though much of this rise was absorbed by rise in project costs. In 1973-74 public sector investment rose by about 4 per cent whereas the cost of investment rose by about 15 per cent. On the whole, the shortfall in the public sector Plan outlay in real terms in the Fourth Plan was of the order of 25 per cent; in other words, against the outlay of Rs 15,902 crores at 1968-69 prices proposed in the Plan, the actual outlay would work out to about Rs 12,000 crores over the five-year period.

Investment in the private sector followed broadly the same trend. According to the Reserve Bank's study of company finances, medium and large public limited companies in the private sector had achieved growth rates of 10.5 per cent in gross fixed asset formation at current prices and 9 per cent in net fixed assets formation in 1966-67; these rates steadily dwindled to 6.8 per cent and 2.7 per cent, respectively, in 1970-71. There has been some improvement thereafter; broadly the growth rates have been 8.5-9 per cent in gross fixed assets formation and 6 per cent in net fixed assets formation, though here again, because of the price increases, the rise in real terms has been negligible.

The same is true of employment in organised industry. During the period 1960-61 to 1965-66, the compound rate of growth of employment in the organised sector of industry was 5.9 per cent in the public sector and 6.2 per cent in the private sector giving an overall rate of increase of 6 per cent. Thereafter, the growth in employment was as low as 0.9 per cent in 1966-67 and nil in 1967-68; the subsequent increases from 1.9 per cent in 1968-69 to 4.1 per cent in 1972-73 was the result of an increase in employment in the public sector, mainly in banking, insurance, government administration, etc — that is, mainly in the non-manufacturing categories. In the first four years of the Fourth Plan (1969-70 to 1972-73) the compound growth of employment was 4.4 per cent in the public sector and 1.2 per cent in the private sector. The performance in 1973-74 was truly dismal; the rate of growth of employ-

ment in the public sector was shown to be 3.5 per cent and in private sector there was a decline of a little over 1 per cent.

The prospects for 1974-75 appear equally bleak. The official index of industrial production is not available beyond April 1974, but figures of output available for some of the major industries are plainly discouraging. Among the basic industries, finished steel output during January-August 1974 declined by 1 per cent against an increase of 3.6 per cent in the corresponding period of 1973; cement output is likely to have declined by as much as 9 per cent during January-October 1974 against a decline of 4 per cent in the corresponding 10 months of 1973; and coal output showed a lower rate of growth of 2.3 per cent during January-May 1974 against 6.5 per cent in the same months of 1973, though the improvement in output in 1973 may have been partly the result of better reporting after the nationalisation of the coal mines. Among the intermediate and consumer goods industries, output of mill-made cloth declined by 1.5 per cent and that of cotton yarn by 0.3 per cent during January-August 1974. During the same period, output of jute textiles declined by as much as 14.1 per cent against a decline of 9.6 per cent in January-August 1973. In vanaspati, the decline in output has been as much as 18 per cent, on top of a decline of 28.5 per cent in the corresponding months of 1973. Sugar output rose by only 2.7 per cent during October 1973 to July 1974 against an increase of as much as 24.5 per cent in the corresponding period of 1972-73. All of these industries together account for about 42 per cent of the total weight in the CSO's index of industrial output.

Nor does there seem to be much hope of revival in the near future. Raw material shortages have been mentioned as a serious obstacle in the way of expansion of output of agriculture-based industries. However, except for groundnut oil for vanaspati, the supply of other raw materials like raw cotton, raw jute and sugarcane has been adequate for the past one year and yet output of their manufactures has been declining, as in cotton and jute textiles, or has been growing at a reduced pace, as in sugar. The power shortage is another common alibi. However, the power situation has eased in the Eastern region and though the government has imposed restrictions on the use of power in the Western region, the restrictions on cotton mills and other manufacturing units have been the minimal. Output of raw cotton and raw jute is placed lower at about 60-62 lakh bales and 50-55 lakh bales, respectively, in the 1974-75 season against 67 lakh bales and 62 lakh bales in the 1973-74 season. However, with imports of long staple cotton of 4 lakh bales and a fairly large carryover stock of about 21 lakh bales, supply of raw cotton during the coming year should be comfortable. Likewise, unofficial sources put the raw jute stock as high as 33 lakh bales. Therefore, if the production of these agriculture-based manufactures fails to pick up, it would not be for reasons beyond the control of the manufacturers. The same is true of sugar; already the industry is estimating that output of sugar in 1974-75 will be lower than in the last season.

As for other industries, while there may be scope for raising production through organisational improvements, in the main the prospects of higher output hinge on investment, in the industries concerned themselves as well as in industries which use their output. Much the greater part of underutilisation of capacity in a number of industries can be attributed to lack of investment in modernisation or delay in replacement and renewal of equipment. For example, in steel, utilisation of capacity at Durgapur, IISCO and Rourkela can improve only after substantial investments have been made in replacement and in balancing equipment. Even in the Railways, better utilisation of available wagons requires considerable track renewal and replacement and other complementary investment. In a large number of industries like railway wagon-building, industrial machinery for such industries as paper, cement, construction and mining, machine tools, steel pipes and tubes, steel castings and forgings and light, medium and heavy structurals, capacity utilisation currently ranges between 50 per cent and 28 per cent — mainly for want of investment demand from the user-industries. In other words, unless there is a major push to investment in the economy, there can be no hope of an industrial revival. As the IDBI's Annual Report for 1973-74 rightly points out, a sustained increase in production at the rate of 9 per cent per annum would be possible only with installation of additional capacity of about 10 per cent per annum. During the Fourth Plan period, industrial capacity had grown at the rate of only 3.8 per cent per annum. The cost of machinery and transport equipment has risen by over 20 per cent. Taking the prices of other investment goods and construction materials like cement, investment costs would have risen by about 18-20 per cent. Therefore, if investment is to be stepped up by, say, 20 per cent in real terms, the increase in money terms will have to be over 40 per cent. Anything less than a 20 per cent increase in overall investment would be entirely absorbed by the increase in costs.

Available indicators of investment, however, show that even in money terms the overall level of investment in the public and private sectors in 1974-75 will not be higher than what it was in 1973-74, when it was only marginally higher than in 1972-73 at current prices and considerably lower in real terms. Among the indicators of public sector investment, gross capital formation expenditure out of the budgetary resources of the Central government increased by only 4 per cent from Rs 2,627 crores in 1972-73 to Rs 2,734 crores in 1973-74, whereas investment cost went up by about 15 per cent in 1973-74. The Central budget had proposed an increase of 13 per cent in gross capital formation expenditure in 1974-75, but due to the subsequent cuts in Plan expenditure this is unlikely to be achieved. Besides, such rise in gross capital formation expenditure as there is will be swamped by the increase in the cost of investment which will not be less than 18-20 per cent. In real terms, therefore, there will be a decline in gross capital formation expenditure of the Central government this year. Indications of this may be seen in the reported decline in the offtake of cement by the rate contract (public sector) customers in recent months.

The position with regard to private sector investment is equally bleak. Capital raised by the private corporate sector through shares and debentures was about 12 per cent lower in 1973-74 than in the previous year (Rs 132 crores). The retained earnings of the private corporate sector would also have declined by about 25 per cent in 1973-74 from Rs 177 crores in 1972-73. Against these, disbursements of the term-lending institutions were about 38 per cent higher in 1973-74 (Rs 274 crores) than in the previous year (Rs 199 crores). But a large proportion of these went to existing units as against new units. Besides, almost all the rise in disbursements was under rupee loans. These indicators taken together suggest that a significant part of the higher disbursements probably went to substitute for short-term capital from commercial banks which had become relatively scarce and more expensive. Considering all these factors, even at current prices the overall level of private sector industrial investment in 1973-74 was probably of the same order as in the previous year. For 1974-75, the available data indicate that resources at hand for investment in the private corporate sector would be somewhat higher, but the question is whether the companies would make use of them for creating fixed assets or for building up inventories and for other forms of current consumption. New capital issues by public limited companies during January-September 1974 continue to be lower by about 18 per cent at about Rs 45 crores against Rs 55 crores in the first nine months of 1973. But the retained earnings of companies would benefit to the extent of about Rs 60 crores as a result of the restrictions on dividends. The disbursements of term-lending institutions also continue to go up. IDBI's disbursements during the quarter ended September 1974 are reported to have doubled to Rs 51 crores against Rs 24 crores during the corresponding quarter of 1973.

The most disturbing aspect of the trends in industry is the stagnation in industrial employment. Applicants on the live registers of Employment Exchanges have reached the staggering figure of 83.5 lakhs, showing a rise of 280 per cent over the end-December 1968 level. The poor are thus caught between rising cost of living and growing unemployment.

Election Expenses

Entrenching Money Power

THOSE who were hoping that the Union Government's delayed flexing of muscles against the smugglers heralded a qualitative shift in the country's structure of politics have now been given short shrift. The thirteenth ordinance of the year could not have made official intentions clearer. The Supreme Court had, a few weeks earlier, unseated a Congress MP from Delhi on the ground that his personal campaign expenses, when considered together with the expenses incurred on his behalf by the party, far exceeded the limits set by the Representation of the People's Act, 1951. The ordinance renders the Court's decision null and void. Let the Court stew in its own wisdom, the government has decided that "Notwithstanding any judgment, order or decision of any court to the contrary, any expenditure incurred or authorised in connection with the election of a candidate by a political party or by any other association or body of persons or by any individual (other than the candidate or his election agent) shall not be deemed to be, and shall not even be deemed to have been expenditure in connection with the election incurred or authorised by the candidate or by his election agent".

As Parliament reassembles in November, the ordinance will be duly validated by an overwhelming majority of the MPs, most of whom would perhaps otherwise have found their tenure endangered by the implications of the Supreme Court's decision on the interpretation of Section 77(i) of the Representation of the People's Act. The entire procedure will resemble a pantomime of Richard Nixon in the act of pardoning himself.

Contrary to notions carefully propagated from time to time, the government has, it would appear, not the slightest intention of initiating any thoroughgoing electoral reform of the corrupt-to-the-core, money-based parliamentary system. The ordinance serves notice that, in the sphere of politicking, there will be merely more of the same, that the ruling party will go on using its vantage position to collect money and spend money to win the elections, and that no concept of justice or decorum will be allowed to interfere with the arrangements. The ordinance, significantly, follows reports that the government might shortly lift the ban on company donations to political parties imposed through an amendment to the Companies Act in 1969. The ostensible justification for the reversal of the ban is the demand from some quarters for it. The new president of the Congress party, known for his fund-raising prowesses, has spoken in favour of going back to the pre-1969 position where business houses and individuals could contribute to political parties by cheque. The support of a section of the Opposition seems to have been enlisted for this step in the reverse direction.

In the light of the ordinance on election expenses, it is legitimate to speculate on the residual usefulness of the judicial paraphernalia in the country, including the Supreme Court. The bench of the Court handing down the judgment which provoked the ordinance might well consider its role as altogether supernumerary. The government does not, and will not, abide its judgment. The government is not at all enamoured of the concept of a judicial system which acts as arbiter of administrative morality. Will it be too much to expect that at least some members of the judiciary will openly acknowledge this fact of their role having been totally played out, and vacate their infructuous citadels?

Textile Industry

Managing a Contrived Recession

A Correspondent writes:

AS late as August this year, textile magnates were assuring shareholders of their respective groups of mills that sales during the current year would keep ahead of, or at the very least match, the record of 1973-74, a year of bumper profits for the cotton textile industry. Towards the end of September, the mills of the Lalbhai group in Ahmedabad closed third-shift working. Others followed suit. And now the entire textile industry has taken up the cry of recession and held out the prospect of large-scale unemployment of mill workers. Though the alleged distress in Ahmedabad has not led millowners of that city to hold out the threat of staggered bonus payment to workers before Divali, the Bombay mill industry has hinted at even that possibility.

Along with the cry of recession has been raised the cry of a credit squeeze, though, in terms of the Reserve Bank's credit policy, there has been no specific squeeze on the textile industry. Mills claim that their credit limits were frozen last year. True, but do they remain frozen? A Gujarat millowner counters this with the question: but should not credit availability be increased to match larger output at higher cost?

This is indeed a puzzle. Is there a recession or not? Stocks of cloth, much of it sold to the trade, with the cotton textile industry at the end of August stood at 1.93 lakh bales against 1.57 lakh bales in August 1973, 2.01 lakh bales in January 1974 and the monthly average of 2.26 lakh bales during the boom year 1972.

Between August and September-end something happened to agitate the mill industry. Did New Delhi sound Gujarat millowners that the ground had to be prepared for the election of the state assembly? In that event the recession cry could be viewed as a defensive action. Or was it the other way round and had the mill industry started making demands in anticipation of the elections? Thus it choked the export quota for Bengal Deshi cotton to press down cotton prices all round. By contrast, in the case of sugar, the policy has been to squeeze out an exportable surplus from the domestic market, high prices notwithstanding.

The textile industry which reaped bumper profits in 1973-74 and was saved, like other industries, from having to distribute the profits by dividend control, is now, in a situation when cotton prices have climbed down, not only chary of repaying bank credit, but is claiming additional credit. A recession would, therefore, come in handy to the industry. But how to justify it? Here is one plausible line of argument. Prices have risen by 80 per cent in about a year and this could not be sustained. Also, because of the wage and DA freeze and the sharp rise in the prices of other essential items, people have less left over to buy cloth with. Further, superfine and fine cloth prices had shot up even more than those of other cloth. This resulted in oversupply. Prices of these varieties need a correction, say the mills which have switched over to higher medium varieties in the last few months ago.

It is a demand recession then and, surely, this calls for a cut in cloth prices? The Textile Commissioner's view is that a 25 per cent cut in prices would not pinch the mills unduly. The Commerce Minister has stated that prices could be cut by 10 to 40 per cent, depending on the varieties. But the mills consider the suggested order of price reduction absurd, since allegedly it does not take into account the fact of higher cost of production. True enough, cotton prices have declined, but what about other inputs, millowners ask. True, too, dyes and chemicals are now offered on credit for upto six weeks instead of for cash, but that only shows that the recession is spreading and does not reflect the mill industry's ability to cut prices or manage with less bank credit.

So run the arguments, unconvincingly. Between the end of August and the end of September MISA was extended to economic offences like smuggling and black-marketing. The sporadic raids that came after September 17 caused a temporary panic in many markets, including the cloth market. This led to withdrawal of black money. If bank credit was insufficient for the textile industry and trade, the insufficiency was not of recent origin. In an earlier period the insufficiency was made good by black money. With the withdrawal of black money after September 17, the trade's capacity to stock for the festival season received a sharp setback. The sudden withdrawal led weaker mills to lower prices. This development came in the wake of an earlier tendency to shift from superfine and fine counts to higher medium and medium counts which is reflected in the fulfilment of controlled cloth quotas by the textile industry as a whole after a long, long time. This had led the government-run mills to somewhat reduce their prices during the past six months or so.

In sum, the reaction to MISA led the trade to expect a price decline. The trade demanded a guarantee that with every decline in prices, mills would compensate it for cloth sold to it by the mills but not disposed of by it. For this guarantee, the industry needs larger credit. Undoubtedly, many mills have obtained liberal credit, thanks to pressures from the Gujarat government and the Textile Commissioner, as is clear from the guarantees they have given to the trade.

Thus, while Ministers and officials make the appropriate noises, the mills are being allowed to manage the recession. The recession could not be severer, the mills say. Yet prices need not go down by more than 10 per cent, they add. Could the management of recession be better? No millowner today seriously believes that the 10 per cent cut, designed to afford a cushion to the trade and not a relief to the consumer, would not be made good very soon. If there is distress, government expenditure on relief will expand. The end of the fiscal year promises a surge in deficit financing. The rabi harvest prospects in many states are excellent. The anti-smuggling drive may reduce, temporarily at least, the availability of smuggled fabrics. Finally, while shifting the pattern of production in favour of higher medium and medium cloth, the mills are clamouring for a dilution in the quality of controlled cloth. In other words, many controlled varieties would be in effect decontrolled. Thus are fat unit margins to be protected.

Iranian Students

Curious Nexus

A Correspondent writes:

ON October 2, the Special Branch of the Andhra Police swooped down on two 16-year old Iranian schoolboys studying in the SSLC class in a Hyderabad school. The occasion was the Shah of Iran's visit to New Delhi and the alleged offence was the pasting of anti-Shah posters on city walls. Akbar and Syed were the names of the accused.

Later events revealed that the schoolboys had been arrested at the instance of the Iranian Consulate in Hyderabad. Does the police act at the behest of a foreign consulate? If yes, what weighty and special considerations influence such action?

The two Iranian boys were illegally detained in the police lockup for six days and beaten and assaulted. No charges were brought up nor were their friends and relatives informed. They were also not produced in a court of law.

When a lawyer engaged by the Iranian student community in the city served notice for a *habeas corpus* petition, the Special Branch volunteered some very interesting information. It was disclosed that the Iranian Consulate had spared no effort to have the students arrested so as to teach them a lesson. According to the Consulate, the students were learning communism in India. According to a police officer, however, Iranian students in Hyderabad were "well behaved and polite". The police assured the lawyer that such arrests would not be made in the future.

The direct nexus sought to be established between the Iranian diplomatic representation in this country and the police have thus come to light for the second time in the past few months. What is even more insidious is the fact that the SAVAK, the dreaded Iranian Secret Police, first established and trained by the CIA and continuing to have a close relationship with it, is now seeking collaboration with our special police agencies. The government which never tires of warning the people against the dangers posed by the CIA perhaps needs to remind itself of the close bonds between the CIA and SAVAK. The functioning of the Iranian consulates in this country, it appears, also needs to be defined more precisely.

Calcutta Diary

A M

ONCE more, one reels under the onslaught of the festive season. The season has by now been captured, almost in entirety, by the urban classes: gods and goddesses are rapidly shedding their rural roots. The poor over there do not have the wherewithal to worship divinity, and the rich do not still feel secure enough to turn the invocation of the Durga into an exercise in lavish exhibitionism. Gods and goddesses nevertheless have to survive; they have to, for the sake of the parasites who make a living out of the business of community worship, which is an urban culture. The commercialisation of the Bengali pantheon therefore proceeds apace: commercialisation and urbanisation go hand in hand.

The resulting process is akin to creating value from circulation. Put the squeeze, put the squeeze, skim the fat off the rich householder, the shady-looking businessman, the income tax-cheating professional; let the funds flow. But, at the other hand, also put the squeeze on the poor school teacher, the struggling clerk, the harassed wife of a lowly pensioner. A sub-species of Rosa Luxemburg's 'third persons' therefore appears on the scene; they will use the alibi of the season to place an imprest upon you, irrespective of your absolute or relative economic position, and thus come to funds. Do not ask them how the funds are going to be spent. Who does not know that conventional book-keeping is a hang-over from the colonial days? If you insist, an annual general meeting of the got-up *puja* committee will be convened; a report from an established firm of accountants, meticulously listing the validated heads of income and expenditure, will be made available to you; the vouchers and cash memos will all be there. These are the standard paraphernalia of the pyrotechnics of third-person existence. The tribe of parasites will continue to flourish — and reign. The world currently belongs to them.

There is a certain heartlessness in the gaiety that ensues. Canned music and ersatz glamour constitute the principal stock-in-trade of the festivities. Suddenly, the scarcity of power is no longer a relevant variable. Illuminations dazzle the eye; the drums beat, always to a crescendo; 'cultural programmes' become a compulsory appendage to the public worship of the deity; the inevitable politicians make their appearance: true to the cultural norm, they are much sought after, the new priests, they are called upon to inaugurate even the worshipping. The 'third persons' have an intensely busy time: as money jingles, they look busier, more intense, they feel more smugly self-important. This is all part of the game. There is a certain heartlessness, however, in it all. The inexorable law of survival is the inexorable law of survival. Each is for himself or herself. The 'third persons' could not care less if the hungry crowd keep pressing against the enclosures where the worship has been organised. Business is business; the business of worship could not possibly be suspended merely because a few unfortunate ones have run across some little, local difficulties, and are unable to secure the food which could ameliorate hunger. Ah, well, have you not noticed that this year, under disbursements, we have introduced an additional item: famine relief? That should take care of the problem of the destitute hungry. In the meantime, ladies and gentlemen, you will be glad to know that, in tomorrow's cultural programme, we have been able to add a further item: Shrimati Bhimpalashri Basu has kindly consented to render a number of *kathak* dances: her item will follow the recital of Tagore songs by Atanu Mookerjee.

A total dissociation from the realities of life is thus proclaimed. These realities, mind you, are not unfolding eight hundred, a thousand or fifteen hundred miles or kilometres away; these are aspects of living in the immediate neighbourhood: that woman, imploringly begging for a morsel of food, could hardly be more than one hundred metres away from the park where the community worship is taking place, the rickety children, who, empty stomach, stare vacantly at the dazzling image of the deity, are as much a part of the objective correlate as Shrimati Bhimpalashri Basu. But, there you are, commercialisation extracts its due toll, the process of civilisation is denuded of all traces of subjectivisim. Society is rendered into one vast marketplace: it is only the cry of prices which matters here, the cry of prices backed by effective demand, reserve as well as of the normal sort. The other cry, the cry of the needy, leaves no impress: money talks, the lack of money is a fatal deficiency; the consequences of this deficiency must visit those afflicted by it.

It is little use arguing in terms of the aesthetics of it either. Aesthetics has been, through the ages, always class-biased. The frolics the Romans used to indulge in did not ever attract any opprobrium from any of the contemporary critics on aesthetic grounds; it was just so much good, clean fun, exemplified by the ritual of throwing the slaves to the lions. In your weaker moments, you may feel somewhat uncomfortable with the fact that saturated talk concerning egalitarianism, socialism and frugality of living could still be combined with unbridled merriment on the part of the upper classes even as people die in the streets for the altogether mundane reason of lack of food. But this, after all, is what *laissez faire* is about; you have to take the rough with the smooth, you live and do not particularly care whether others do too. Aesthetics, unless properly seasoned and honed by pragmatism can be so much arid abstraction. Pragmatism duly takes into account the realities of class alignments in the formulation of aesthetic values.

Thus it is that hardly one politician will be around if you ever take it upon yourself to run down the institution of community worship. The slightly more sophisticated specimens amongst the politicians might even venture to educate you: the business of community worship facilitates the dispersion of surplus value, to discourage it is to condemn oneself to a bleak regime of dull work and duller profit-taking, marked by high levels of unemployment and social tension. The surplus value that circulates is not something to which one could however *per se* claim a natural right, it emerges because of the avarice of petty, scheming men, who do not mind if people go hungry, as long as they themselves can have a rollicking-ly good time. After all the sophistication is assembled, all the dissembling that is to be done is done, all the words that are to be gurgled out are gurgled out, the hungry and the starving continue to make their feeble entreaties for food, while Shrimati Bhimpalashri Basu, exhilaration in her feet and limbs, dances all night.

Or is it a new phenomenon, this slide into insensitivity? The old-fashioned virtues of simplicity, frugality and benevolence have been rendered into the oddest curiosities; they have been substituted by a genre of smart-Aleck-

ism, which believes — and with reason — that it can combine lip service to socialism with the pursuit of the goal of untrammelled private gains. Such is the legacy of the more recent years. Fixers and commission agents, 'third persons' *par excellence*, are an inevitable adjunct of the system that has come into being: fix a job, fix a speech, if the public media are under your control, you can even fix a famine. The objective correlates, as they are called, appear in an altogether different light: for you can even fix the definition of objectivity, and swiftly take care of the poet or the editor or the economist who has the foolhardiness not to go along with your definition.

Festivities and carnivals fit snugly into this arrangement. They exude and propagate the air of middle class normalcy: they, so to say, fix the environment. The festive season is on, the drums beat, the chanting of the ethereal *mantrams* enthrals you and me, the affluent flaunt their jewels and livery, Shrimati Bhimpalashri Basu's body pulsates to the rhythm of the onrushing *kathak* number, the organisers of the gala worship push their way through the crowd, they never looked brisker. The politicians feel assured, everything is under control, the famine has been fixed, the cry of the hungry is not cognisable, and has not one of the country's ministers already assured the Americans on his honour that not one person has here died on account of famine? Let the drums beat a brisker pace then, there is an eerie hint of heady excitement in that recital of the *kathak*, the season of festivities will soon be over, but, never mind, perhaps we will have other excitements forthcoming, if not exactly a pie in the sky, at least an indigenous version of the *sputnik*, and, who knows, perhaps followed by a general election?

CAPITAL VIEW

Politicians and Elections

Romesh Thapar

LIVING with intolerable delays and carefully devised bureaucratisms for the preservation of the *status quo*, one is naturally startled at the speed with which the ruling politicians issued an Ordinance to negative the Supreme Court judgment on election expenses. Of course, the Ordinance had to be issued or else a large number of the pending election appeals, including one involving the Prime Minister, would have led to unseatings. And what's an Ordinance between creatures who begin their political lives with lies — yes, quiet congressmen, loud-mouthed socialists, proletarian communists, double-talking Jan Sanghis, freedom-fighting Swatantras and what have you.

You would have thought that the politicians had spent a little of their useless time reading the details of the Supreme Court judgment. The lumping together of the party's expenses together with the expenses of the individual candidates had been carefully explained as in keeping with the highest democratic ideals. Indeed, the judgment had a rare stamp of most thoughtful probing. To negative the the judgment in the way it has been done, without proper explanation and without a promise to reform the role of money in elections, is perverse and most damaging to the whole fabric of democratic functioning.

The negation of the Supreme Court judgment in the context of the elections already held was inevitable. The practice of showing separately the expenses incurred by the party and those by the candidate had become "time-honoured" among a tribe of cynical power manipulators. But what of the future? Why is there no indication of a reform? Here is an area where the politician is full of expertise — indeed, very often it is the only area he has knowledge of.

Surely, the Congress High Command and the leaderships of the various parties of the Opposition realise the immense damage that is being done to this country by the blatant and shameless use of black money in all types of elections. All the anti-smuggling measures cannot halt smuggling if every five years the most powerful in the land go abegging for election funds. Black money will continue to function as a parallel economy so long as this prospect is present in the calculations of the traders. It is here that action is needed, and not on the imaginary significance of K R Ganesh's "influence" or "positioning" in government. Really, how puerile can we become!

Significantly, so far, there is not a worthwhile comment on the subject of politicians and elections. They will come when publicists and observers view the tangled nerves of the democratic system. All over the world, the discussion is joined on the future structures of democratic functioning — except here, of course. We love to be followers, satraps, or we just pretend not to see the writing on the wall. Will the editors of the press get off their backsides, or will they surrender following the sacking of George Verghese from *The Hindustan Times*? It will take more than editorials to inject solid sense into the democratic system we have inherited from our god-fathers across the seas.

The politicians, particularly of the ruling variety, will fight desperately to live by constitutional amendments based on the Ordinance. Battle must be joined at every level on this issue. Indeed, the first legal support should be mobilised to jam up the works in legal inanities — if that is the only recourse. We still possess the ability to boycott elections. That would expose the process very thoroughly for what it is.

At the same time, it should be possible to project the most enlightened practice of other lands in the context of Indian realities. An election fund, properly constituted or the State, for example, could take care of the essential expenditures that a party has to make. Various systems of proportional representation should be studied in order to turn the focus on programmes rather than individual ugly politicians with black money and other such aids. It can be done, whatever the reluctance of the politicians.

However, the lobbies against change are strong, including the lobby of foreign money which has a great time joining the democratic extravaganza. The argument invariably trotted out is lack of time because the decision to reform is always delayed. Well, why not postpone the next elections by a year or two by Ordinance!

The trouble with leadership today, and all over the world, is that it does not attack the structures by which systems are functioning. The fact that, today, two Indias exist where there was one in 1947, and that there will be another two Indias by the turn of the century, should put the fear of something in us. Elections are people — or have we forgotten?

October 21

Long Haul

Hansavivek

TEXTOOL has been showing steady progress since its management was taken over by the reconstituted board of directors nominated by government of Tamil Nadu on August 1, 1970. The company had then an accumulated loss in excess of Rs 200 lakhs and the position looked almost irretrievable. During the past four years, the accumulated loss has been reduced to less than a third and, with successful working for another year or so, the company can look forward to wiping out the remaining deficit. The company has outstanding orders of the value of over Rs 21 crores and it expects favourable conditions in the textile machinery market to continue for another five years, which should provide it with ample opportunity to maintain the rate of growth achieved in the past four years.

Production of textile machinery is intended to be stepped up substantially and efforts are being made to procure adequate quantities of the essential raw materials and bought-out components. New lines of manufacture such as arc furnaces, bar turning machines and fly frames have also been in good demand. Production of steel was increased last year, but it was still well below the company's full potential level owing to the power restriction, which is likely to continue. During 1973-74, Textool produced 150 spinning frames, 76 conversion sets and 96 cone winders and doubler winders against 109, 180 and 85, respectively, produced in the previous year and the installed capacities of 480 spinning frames and 96 cone winders and woubler winders. The number of diesel engines produced was increased over the year from 446 to 557 and the output of alloy steels from 443 tonnes to 596 tonnes, although installed capacities in both the cases were much larger at 2,500 diesel engines and 1,200 tonnes, respectively.

The company had to contend with power restriction for about three-fourths of the year and also considerable difficulties in obtaining textile components and raw materials and controlled commodities. In addition, credit squeeze allegedly tended to aversely affect the working results. Even so, production and sales in all lines of manufacture showed increases and the company earned the highest profit in its 28-year career. Equity dividend, however, is still not in sight, for there are, apart from the balance of past losses, arrears of cumulative preference dividends for eight years amounting to over Rs 18 lakhs.

HINDUSTAN PETROLEUM, formerly Esso Standard Refining Company of India, showed a much better performance during 1973 despite increase in operating cost from Rs 17.98 to Rs 19.68 per tonne over the year owing to general increase in price levels, higher fuel costs resulting from unprecedented crude price increases, higher crude runs, and a programmed maintenance shutdown of the refinery. Crude runs at 2.9 mn tonnes were 15 per cent higher than in 1972 and were the highest achieved since the refinery went on stream in 1954. The increase in crude run followed processing of 317,298 tonnes of crude for Indian Oil Corporation for a fee of about Rs 64 lakhs. This processing fee apart, higher neutralisation of crude price increases enabled the company to earn a net profit of Rs 37 lakhs as compared to a deficit of Rs 5 lakhs shown previously. No dividend has been recommended on equity shares. The government of India has already acquired 74 per cent of equity shareholding in the company and the remaining 26 per cent will be acquired at the end of 7 years. During this period, government has guaranteed to Esso a dividend of 15 per cent on its share of the equity. The purchase price, mutually negotiated and agreed upon, will be paid in six equal instalments.

Total crude runs during the first seven months of 1974 were 1.89 mn tonnes which included 402,000 tonnes processed on a fee basis. The crude runs for the remaining five months are expected to be 1.12 mn tonnes, thus making a total crude run of 3.01 mn tonnes for the year including processing of 422,000 tonnes on a fee basis. The product price increases granted by government so far and the operation of the crude oil price equalisation (COPE) account are expected to mitigate to a great extent the adverse impact of the unprecedented increases in crude oil prices. The COPE account does not, however, provide relief for some of the products like pitch, prices of which are not fully controlled by government. The refinery is negotiating with a customer for an increase in the price of pitch. In an effort towards further import substitution, facilities have been installed at the lube refinery unit to manufacture turbine oil base stocks, axle oils and rubber processing oils.



The company last year sold substantial quantities of chemisphere 330 to a petro-chemical unit and thus helped in saving an expensive imported product. Supplies of carbon black feed stock, developed from a refinery stream, is also a major contributor to foreign exchange savings. Sodium sulphide solution, developed by the company, has been found very useful in treatment of hair removers from animal skins. The refinery has also under development pesticide solvents, mineral jelly, battery ceiling compound and other products.

BENGAL CHEMICAL AND PHARMACEUTICAL WORKS has secured a 'letter of intent' for manufacture of 10,000 tonnes of synthetic detergent per annum. The project, estimated to cost Rs 128 lakhs, holds out promise of an annual turnover of Rs 900 lakhs. It can be implemented in two to three years' time, but it will be taken up only when the required funds are available. Meanwhile, the company is implementing the sodium dichromate project at Panihati at a cost of Rs 72 lakhs. This project too will take about two to three years to complete. The additional annual turnover expected from it is placed at Rs 130 lakhs. BCPW is also recommissioning the sulphuric acid plant at the Panihati factory, which had been shut down since 1967, at an expenditure of Rs 8 lakhs. The balancing and renovation of the tar distillation plant, also lying idle for many years, has also been taken up. The installation of a third battery of the ferro alum plant with a capacity of 30 tonnes per day and modernisation of the tar distillation unit at an estimated total expenditure of Rs 48 lakhs are being considered by the management. The company has approached Industrial Reconstruction Corporation of India for the required funds. BCPW's performance during 1973-74 was adversely affected on account of shortage of raw materials, erratic load-shedding and frequent failure and low pressure of gas supplies. Besides, recurring labour agitation held up production and despatches of finished products for several weeks at the Maniktala and Panihati factories. Despite higher sales, the company showed a fresh loss of Rs 10 lakhs, which lifted the accumulated loss to Rs 123 lakhs. Besides, arrears of preferential dividends amounted to Rs 7 lakhs.

SHREE VALLABH GLASS has started production at the straight and bent toughened glass plant set up at the Vallabh Vidyanagar factory. The unit established in the 'backward' area of Limkheda in Panchmal district of Gujarat for manufacture of superior quality raw materials required for manufacture of sheet glass has also gone into production. The company has secured a 'letter of intent' for production of special quality sheet glass near Boiser in Maharashtra. The project, estimated to cost Rs 769 lakhs, is proposed to be financed partly by borrowings from bankers and financial institutions and partly by increasing the share capital. Meanwhile, shareholders' approval is being sought to issue 24,962 equity shares of Rs 100 each at par as 'rights' on a one-for-four basis. The proceeds will be utilised to meet a portion of the expenditure incurred on modernisation of the sheet glass plant and to improve the company's debt/equity ratio. Although SVG had to experience all-round hike in costs and acute shortage of soda ash last year, its results have been a good deal better than in the previous year. While sales were a fourth higher, gross profit more than doubled. Equity dividend was raised by a point to 12 per cent, which was also payable proportionately on the 'rights' shares. The company fared well on the export front too and exported figured glass, wired glass, laminated safety glass and toughened glass to Singapore, Persian Gulf states, Indonesia, Iraq, Mauritius, Sri Lanka, etc.

The Week's Companies

(Rs in Lakhs)

	Textool		Hind Petroleum		Bengal Chem		Vallabh Glass	
	Latest Year 30-4-74	Last Year 30-4-73	Latest Year 31-12-73	Last Year 31-12-72	Latest Year 31-3-74	Last Year 31-3-73	Latest Year 31-3-74	Last Year 31-3-73
Paid-up capital	104	104	300	300	80	80	115	102
Reserves	5	5	1276	1252	182	10	93	62
Borrowings	125	112	847	628	168	136	377	255
of which Term Borrowings	41	43	780	526	68	60	98	62
Gross fixed assets	158	147	2572	2504	400	252	489	220
Net fixed assets	56	49	1045	1068	235	64	381	132
Investments	1	—	—	—	3	15	—	—
Current liabilities	201	127	383	276	127	120	112	47
Current assets	314	205	1762	1388	245	202	258	207
Stocks	152	113	684	689	115	107	192	134
Book debts	148	90	1058	631	118	84	63	71
Net sales	411	301	5039	3945	387	331	349	279
Other income	1	1	86	19	9	8	71	68
Raw material costs	54	38	4014	2949	188	163	127	96
Wages	111	81	88	73	110	89	48	39
Interest	12	10	13	13	14	12	25	19
Gross profit (+)/loss(—)	60	49	193	103	—5	—16	62	27
Depreciation provision	5	4	92	90	5	5	22	11
Tax provision	—	—	64	18	—	—	—	—
Net profit (+)/loss(—)	55*	45*	37	—5	—10	—21	40	16
Development rebate provision	1	1	15	6	—	—	30	1
Transfer to reserves	—	—	18	—	—	—	—3	6
Dividend								
Amount	—	—	P 4	4	—	—	P 1	1
			E —	70			E 12	8
Rate (per cent)	—	—	P 6	6	—	—	P 9.5	9.5
			E —	31.25			E 12	11
Cover (times)	—	—	—	—	—	—	0.75	1.75
Ratio (per cent)								
Gross profit/sales	14.60	16.27	3.83	2.81	—	—	17.76	9.67
Net profit/capital employed	—	—	1.52	—	—	—	6.84	3.81
Inventories/sales	37.00	37.54	13.57	19.75	29.72	22.32	55.01	48.03
Wages/sales	27.01	26.91	1.75	1.85	28.42	26.89	13.75	14.00

* Adjusted against previous loss.

On Keeping Silent

EACH day brings news of a novel way in which our leaders have violated the law. Each day we hear of yet another norm that has been struck down. Each day brings news of a fresh scandal.

As the situation has worsened our leaders have become more audacious in violating laws, in flouting norms. Consider just a few events of the past months. Our leaders foist a fraudulent Plan on the people and then, with unabashed cynicism, bury it with hysterical shouts of world-wide inflation, of forces beyond our control. They discuss the resignation of an economist with cynical chants about how talk of realism is defeatist, of how "every dream shall become a reality and every reality a dream". They manipulate the appointment of the Chief Justice — confident that the episode will soon be forgotten. With a complete disregard for norms they pump scarce commodities into a state, sanction dubious projects for it, make reckless promises to every interest group within it (promises and outlays that ultimately leave the state bankrupt) — all to keep themselves in office. A state government manipulates restrictions on the movement of rice for a few days to enable its friends to make a killing. Another decrees a farcical ceiling on the price of wheat in Bombay and, three weeks later, lifts it — pushing jowar prices to astronomical heights and thus helping its friends, the large jowar farmers in the state. The same government abets wholesale adulteration of high quality seed. A newspaper press is burnt in one state. Instead of investigating the matter the state government heaps fresh financial difficulties on the paper. In another state another government shuts off power to a newspaper. And the Centre — instead of restraining these acts — conspires to have an editor dismissed. While all this is being done, of course, the PM assures a professor in distant Trivandrum that she is "against censorship, even in its mildest forms." Thousands upon thousands of young men and women are kept without trial in prisons while government spokesmen engage in a cynical game about "the correct number of those under detention". Corpses are found lying around in cities; horrible accounts pour in of men selling their wives and children, of mothers abandoning their children, of women collapsing within sight of ration shops and gruel kitchens. And government spokesmen play literary games — about the semantic difference between starvation ("on the one hand") and sundry maladies ("on the other"). One could go on and on.

As the situation has worsened, the perspectives of our leaders have changed in two ways. One, they no longer think of the distant future; they are just concerned about the next turn of events. Second, they think less and less about the country, about ultimate objectives, about institutions: their only thought is about staying in office. They rationalise this preoccupation with the argument that if they lose their offices, they lose all; that then they will have no way of ensuring that the country marches towards those luminous goals. Each of them — in the states even more visibly than at the Centre — is grabbing now: as if all are convinced that the game will be up soon and that, therefore, the only sensible thing to do is to grab whatever one can lay one's hands on. As our leaders are in this frame of mind, we can be certain that they will act without restraint, that cynical and authoritarian acts will soon be the order of the day.

Times of crises such as the present one impose a great reesponsibility on each of us. For the real tragedy of such times — and the real cause of the drift into an authoritarian nightmare — is not that a few leaders become rapacious, that they start breaking laws, disregarding norms or destroying institutions. Rather it is that common men remain silent, that we acquiesce.

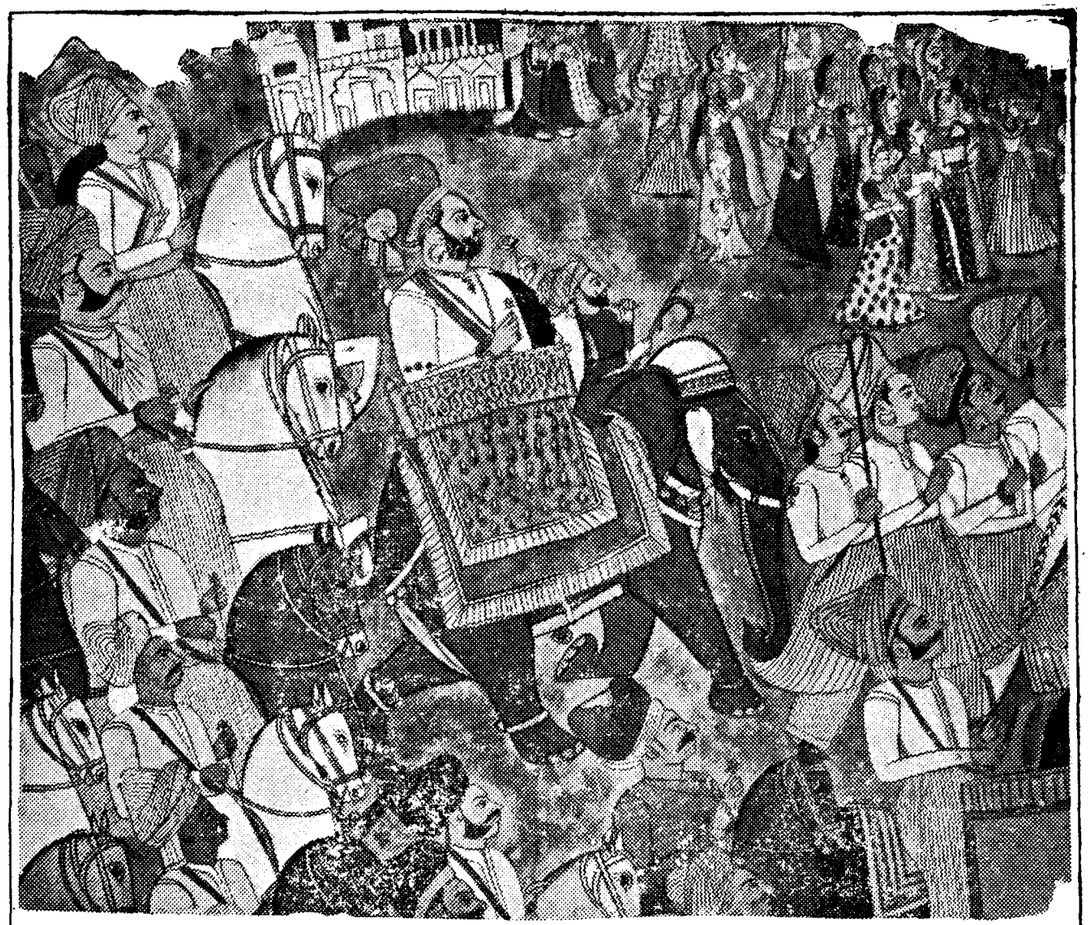
Each of us rationalises his silence in many ways. We should bare these arguments so that they are seen to be what they are — specious alibis.

The first of these is a plea of helplessness: "what is the use of my speaking out, of my not going along; what can protest by one individual accomplish?" Each of us must realise that our leaders — whether they be in politics or administration or business — work with your hands and mine: their evil is wrought with our hands. We — as officials — collect money for them. We — as industrialists — contribute to their coffers. We — as workers — adulterate goods for our employers. We — as economists — work assiduously to make the politician's lies seem plausible. If a colleague is dismissed we — as professionals — manoeuvre to get his place.

In a very real sense, therefore, the country is not being undermined by a handful of leaders or business tycoons. The higher a person is in the hierarchy the cleaner he keeps his hands, the better sterilised his chambers. The minions — you and me — are the ones who do the dirty work. And this is precisely the reason why we are not as helpless as the first alibi would have us believe and why our protest and non-cooperation will not be inconsequential.

The second alibi is somewhat more assertive: "but how can I be sure that the things you say are true? How do I really know who is behind the ouster of that editor? Where is the *evidence*?" By a curious irony, the leaders use this alibi for not moving against their corrupt colleagues — they allege that they too lack specific evidence of wrong doing. How hollow their words sound when they plead their helplessness thus. And yet so many of us employ the same alibi to justify our silence, to go on as if nothing were happening around us. We can assess the true worth of the alibi by recalling how it was used by millions in Japan to shut their eyes to the rise of militarists in the 1920s and 1930s and in Germany to ignore the things that the Nazis were doing.

"But surely the government must have its reasons; it must know things that it cannot reveal, that you and I do not know." This too has been a highly serviceable alibi. It is one of the favourite devices of government propagandists when they are eager — as they almost always are — to snatch the benefit of doubt for themselves. A vague hint about the victim being a "foreign agent", some whispers about the conspiracies of foreign powers who do not approve of "our socialism" (our socialism? my foot — it is the laughing stock of the world), a hint or two about his "communal leanings". Yet citizens the world over have learned again and again that governments never know more than they reveal. They know much less. The Americans are the latest to have been taught this lesson again: their presidents and governments kept assuring them that there was more to the Vietnam war than they could reveal. Hardly a day passed when "national security" was not invoked as a reason for demanding the trust of the people. In retrospect we can see what a massive hoax it all



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was. We can see how wrong were the people who kept quiet on the plea that "the government must know things that you and I don't". And we can now see the terrible cost of their silence.

"But, listen, why are you getting so worked up about this latest step? All this has been going on for a long while. I mean, why are you so excited about the fact that an editor has been fired? After all — let's face it — we have never really had a free press. Nothing new has happened. It is just that you are learning the facts of life for the first time." This is a much more sinister alibi — for at single moment it seems quite plausible. Each new violation builds upon others that have preceded it and thus seems to be just a minor extension of things to which all are already accustomed. Yet it is no more defensible for that reason: even as we reassure ourselves that the latest pebble rolling down the hillside does not really mark a qualitative change, that pebbles ("and much larger ones than that") have been rolling down for quite a while, suddenly one gives away and the avalanche starts, suddenly it is too late to run for cover.

To realise the full significance of an authoritarian act — one that violates norms and laws — one has to look ahead and speculate the end of the journey. In all probability the act itself involves only a handful of people and it is usually centred around a very special constellation of circumstances. The ouster of one editor, after all, involves only a few individuals. Yet its true significance transcends these individuals. In this particular instance it informs every two-penny politician in the country that he can do what he will for muzzling the press. It warns every editor that the government shall use means that are as devious as it thinks is necessary to win the forthcoming elections and, by god, if he prints anything about these he will go the way of the dismissed editor. Even more important than the inconvenience an authoritarian act causes its immediate victims and even more important than the signals it sends out to the others, each of these acts corrodes our conscience; it dulls our vigilance; it accustoms us to more tarnished norms, to lower standards. And in this way it prepares the way for the next — and more audacious — authoritarian act.

We are often lulled by the calm that follows each act. Soon the act fades in memory and in retrospect it always appears to have been inconsequential — "all that noise and fuss you made for just one editor; you see, don't you, how comfortably off he soon will be in his new job and even you must have noticed that the heavens have not fallen since he was fired". Yet the onlooker must realise that each act seems inconsequential in retrospect largely because it has since been buried amidst the clamour of even more audacious acts; that it has helped pave the way for these subsequent acts and that, therefore, in fact, it has been far from inconsequential.

"But surely you exaggerate; you are just extrapolating; how do you know things will go that far; we must retain a sense of proportion in these matters; a single step in one direction does not mean that we will persist to the end on that course." Yet we have learned again and again that once the authorities break a norm they use the new-found licence as much as they feel they need to for attaining their ends; and, as we noted earlier, as the situation worsens these ends become more and more parochial and the time-horizons become shorter and shorter. When leaders start violating norms the citizenry can be certain that such evils as are possible will indeed be foisted upon it by the leaders and that these will come to prevail in a shorter time than most reasonable men would think possible.

"But we must be patient. I agree that the act you mention is not quite in accordance with the spirit of the law. In fact, I will go along with you and say that it is unpardonable. But there is no reason to get excited about the whole thing. It is just a passing phase, I *know* them — I have known them for years. They are as dedicated to these ideals as you and I are. But after all, you will agree that they have to stay in office. If they lose the elections how will they work towards the ideals that you and I and they, ideals that all of us hold so dear? Listen, we have to be practical; we have to look the other way now and then. You just wait and see. Once they are assured a new five-year term, things will be entirely different." We should not fall for this low-means-but-high-ends deception: nor for the dedicated-but-helpless-leader bit. We do not need this bunch of ministers and "leaders" for attaining our goals, for ensuring well-being and freedom to our people. What we need for achieving these goals are the institutions, the norms and the values that the authoritarian acts of these "leaders" are destorying.

"But I am just an engineer. You are talking of things that are far wider than my job. You see, I am a specialist. I do the job I have been assigned. That's the limit of my duty. Our country isn't going to be saved by shouting about vague principles but by each one of us doing the job that has been assigned to him." The "specialist" who mouths this alibi is after the leaders' hearts: they love no one more than the quite cog. Yet it is surely obvious by now that the labours of each of us will be set to naught by the erosion of our polity. For each of us to "busy himself with the task at hand" is quite the most certain way of committing collective suicide. Thus, even as each of us does his job he must concern himself with and devote time to the larger issues — he must assess the large consequences of his acts and the larger consequences of the acts of others.

This brings us to the final alibi: "but I have to keep my job; I have a family to support". There are many responses to this. For one thing, it just does not wash for many of us: many of us who aid and abet wrongdoing are well off, we can get other jobs than the one we hold at present. For another, it is almost always possible to retain one's job and yet refuse to be an accomplice: the only cost may be a transfer or that one loses one's chance of a "promotion". Surely, in times such as these, the lures of a large city or of a larger name-plate are not worthy pursuits. How can we put them in a scale against the interests of our country, the survival of norms and institutions in our polity? But in a vital sense all these partial responses skirt the issue.

The basic point is the following one: even if the consequence of standing up today is that we may lose our jobs we should not think of this as a cost. A flood threatens us. If each of us busies himself with grabbing what he can, with gathering together and stuffing his possessions into his little sackcloth so that he may make a run for his life when the time comes; if each of us busies himself in this rather than in helping to strengthen the embankments, all of us shall surely be swept away — we, our families and all those stuffed sackcloths. We must think of our polity and of our country now. It is already very late and entities much larger than ourselves or our families are at stake. We must heed Iqbal:

Vatan ka fikr kar nadan, musibut ane wali hai, Teri barbadiyon ke mashwaren hain asmanon men.

FROM OUR CORRESPONDENTS

LABOUR

Workers' Conferences without Workers

IT is remarkable that few workers participate actively in the proceedings of or speak at the various workers' and trade union conferences organised from time to time. Thus not one industrial worker spoke from the rostrum of the Maharashtra Workers' Anti-Wage Freeze Nirdhar (Determination) Conference at Poona on October 13. Over 3,000 workers and trade unionists, half of them from Bombay, heard some 20-odd 'leaders' for five hours and voted for a state-wide token general strike and gherao of all government offices on October 30.

The conference was convened by the Maharashtra Trade Unions Joint Action Committee (composed of representatives of HMS, BMS, HMP, CITU, AITUC, Sarva Shramik Sangh and some white-collar unions). The conference was held in pursuance of the decision of the All-India Working People's Convention Against the Wage Freeze, held in New Delhi on August 28, to organise such conferences in all the major states in order to mobilise the working class against the wage freeze.

The Poona conference, however, differed from the Delhi convention in two respects. First, the AITUC which had boycotted the Delhi convention — branded by it as being "politically motivated" and specifically directed against the CPI-led Ministry in Kerala — participated in the Poona conference. Second, despite its confused and populist demands, the Poona conference did not appeal to the government to open a dialogue with the trade unions "for evolving such policies as would take the country out of the present crisis" — which had been the principal demand of the Delhi convention.

These differences are, however, formal and marginal. The AITUC's participation, for example, means very little in real terms. In Bombay and in the rest of Maharashtra it is a declining force with little support among workers — including among textile workers, at one time its strong base. The AITUC is, therefore, relatively inconsequential so far as mobilising the mass of workers for a general strike is concerned.

Similarly, despite its eschewal of an appeal to the government to open a dialogue with the trade unions, the charter of demands, the resolutions and the policy statements issued by the Poona conference are not very different in spirit from those issued by the Delhi meeting. Both concentrate on making alternative policy recommendations to the government: measures against foreign and monopoly capital, against hoarding, blackmarketing and smuggling, for a moratorium on all foreign loans, for the redistribution of land to the landless, for demonetisation of higher-denomination notes, for the implementation of tax laws, for "the abolition of corruption" (!), etc. These demands have nothing to do with a working class strategy in a period of capital crisis. Besides, they signify a complete retreat from the programme of the People's Conference organised by the Left in Maharashtra in March this year which had emphasised such demands as the distribution of 12 kilos of foodgrains per person per month at reduced prices, a minimum wage of Rs 8 per day for all workers linked to the consumer price index at 1,000, unemployment benefits, etc. In fact, even the demand for the abolition of the wage freeze, which was supposed to be the main issue before the Poona conference, was subordinated to the so-called "people's demands" mentioned above.

The demagogic oratory at Poona concentrated upon smuggling, black money and corruption. All the important Maharashtra-level leaders of the Opposition parties spoke. More (HMP-SP) made a thundering inaugural speech, Dhume (AITUC-CPI) proposed the Resolution, Kurane (CITU-CPM) supported him, Thengdi (BMS-Jan Sangh) lashed out at the Congress party, Khanolkar (HMS) defended the Resolution, Chavan (Sarva Shramik Sangh-LNP) summed up the discussion (or, more appropriately, the speeches) and made another speech against foreign capital, and so on. Not a single leader attempted to explain the wage freeze itself — why it had become necessary and possible for the government to freeze wages since August and how concretely the workers could fight the freeze. Of course, everyone declared himself against the wage freeze — notwithstanding the fact that some of them had demanded an 'incomes policy' in May — and against the 'anti-labour policy' of the government. No one, however, suggested or even hinted at a working class strategy and plan for a protracted struggle against the wage freeze, apart from the token strike on October 30.

That such sporadic actions against the government's 'anti-labour' policies tend to defuse the potential for struggle among the militant elements of the workers, that symbolic protests are no longer sufficient, that a concerted programme of education, organisation and agitation among the working class is absolutely indispensable seemed completely to escape the attention of the leaders. Their response to the workers' resistance to the plan for "another of those bandhs" and to their demand for a clear programme for the post-October 30 period was purely defensive speech-making interspersed with such meaningless phrases as "offence is our best defence", etc. They had to declare themselves in agreement with the view, prevalent among the rank-and-file militants, that all bandhs over the past year had been sterile; yet they weakly asserted that this one would be different from the rest because it was a 'strike' not a 'bandh'!

All the important leaders, speaking with fervour maintained that this would be "the last, the final struggle" and emphasised repeatedly their determination to start the struggle against the present regime and for replacing it with a "people's government", whatever that may mean. Besides the main resolution on the strike, two hurriedly drafted resolutions were passed at the conference — one somewhat irresolutely condemning the government's all-round assaults on democratic freedom and the other calling for a minimum bonus of 10 per cent for all workers.

The militants' discontent with the bankrupt programme of "struggle" under the banner of the Joint Action Committee (JAC) and their lack of faith in the leadership was expressed by the white-collar unionists, the only real workers who spoke. Some of the insurance employees' union officials criticised the JAC leaders for their 'tail-ism', their demagoguery, their bureaucratic functioning, the vacuous character of their support to the Railway strike, their lack of unity and their failure to give the working class a real proletarian programme. They demanded an assurance from the leaders that the JAC was serious about continuing the agitation against the wage freeze after October 30. They argued that such an assurance was absolutely essential because their own unions were far more democratic than the big national federations and made commitments only after a series of discussions among their rank-and-file and that their members' eagerness to participate in the JAC programmes would be conditional upon such an assurance.

The white-collar militants also exposed the "myth" that the Poona conference was "organised democratically". For this, they were fiercely attacked by such stalwarts of the trade union bureaucracy as V R Khanolkar (HMS). Otherwise an avowed anti-communist, Khanolkar mustered all his skills to defend the trade union bureaucracy of the JAC. He ridiculed the suggestion that the conference had not been organised democratically. After all, had not the workers' own chosen leaders collectively decided to hold it? Further, it was stupid to demand a plan of action after October 20; such a plan would emerge, the leaders would discuss it...

Khanolkar's speech demonstrated that, despite its internal tensions and differences, the JAC bureaucracy will always unite to crush any Left-wing criticism of its programmes, perspectives and methods. A sign that the more militant elements are beginning to see through this game was the big applause the white-collar unionists received in contrast to the hostility of the audience to Khanolkar who was heckled and hooted. The extent of democratic decision-making permitted by the trade union bureaucracy is evident from the fact that, prior to the conference, not a single major federation had discussed the programme and the draft resolution among its rank-and-file, that at the conference itself no worker was allowed to address the gathering despite repeated requests by some and that the audience did not participate proceedings.

If the Public Rally at Shaniwarwada after the Delegates' Conference on the evening of October 13 was any indication of the seriousness of the JAC about its own programme, then the JAC failed the test miserably. There had been no systematic campaign of publicity and agitation among workers in Poona; as a result, a pathetically small number of industrial workers were mobilised for the rally. The audience at the rally was largely composed of two components, roughly equal: the delegates to the conference and an inchoate petty bourgeois mass of strollers, etc, which frequents the Shaniwarwada maidan on Sunday evenings.

The Poona conference reflects the crisis of the Indian Left and the sterility of its strategy. First, incapable of building a working class cadre and of sustained political agitation among the working class, the Left has to fall back upon "the people" and "the people's demands". Secondly, having failed to organise the working class under its own banner, the Left has to rely wholly on trade unions which are given the status of political organisations and the role of the vanguard in the struggle against the present 'anti-labour' government and for the establishment of a "people's government". Finally, unable to mobilise the working class through the trade unions under its control, the Left has been forced to ally with the BMS and HMS in a vain attempt to defend its credibility among the working class.

While this is true of all the Left parties, it applies with particular emphasis to the CPI(M). The initiative for the Delhi and Poona conferences was taken mainly by the CITU and the programmes, policy statements, etc, were drawn up at its initiative. The CITU-BMS-HMP bloc essentially reflects the political alliance among the CPI(M), Jan Sangh and the SP that is being forged since before the Railway strike. The other unions in the in the JAC are vacillating allies, except the Sarva Shramik Sangh to an extent. The JAC can scarcely conceal the fragility of the underlying political alliance of such diverse elements as the CPI(M), LNP, CPI, SP, Jan Sangh and PWP.

However, despite the instability of this alliance, the likelihood of half-hearted participation by the working class and the high probability that the JAC leaders, in alliance with the police, will succeed in curbing the militancy of the working class, the October 30 strike will be of some significance. If it succeeds, it would be the first major act of resistance by workers to the wage freeze since its imposition on August 6. Till now the only protests by the working class have been either purely verbal or have taken the form of such impotent acts as refusal to accept the pay packet on pay day and collecting it the next day. Secondly, the October 30 action may be instrumental in catalysing the process of recovery of the working class from the demoralisation and passivity that it has been forced into since the defeat of the Railway strike and the imposition of the wage freeze.

Postscript (October 21): The bickering has already started. The AITUC and the CPI do not want the gherao of government offices on October 30. It is even possible that the AITUC may want to dissociate itself from the entire programme of the JAC for the 30th, though at Poona it was Dhume of the AITUC who had proposed the programme.

NEW DELHI

The Recession Scare

B M

IF the newspaper headlines are to be believed, the textile industry has agreed, under the pursuasion of the Commerce Ministry, to slash cloth prices by as much as 10 to 40 per cent. This was the pie in the sky promised by the Ministry at the end of the meeting of the Consultative Committee of MPs this week. It was a clever move. After making such a generous gesture, the industry would appear to the public as deserving of all support to get over the 'recession' that has allegedly hit it. Some of the mills also agreed to revive their third shifts which they had earlier closed down.

But what exactly does the offer of price reduction by the industry amount to? All that the industry had apparently offered to do was to sell at a discount from the mills' retail outlets. The discounts will be mainly on the superfine and higher-priced varieties. The mills' retail shops are located mainly in the large and medium urban centres and sales through these outlets cannot possibly be more than a fraction of the total sale of cloth in the country.

After the press was told that the industry had agreed to cut prices, it was also informed that a special meeting of the industry with the Reserve Bank had been arranged to make available credit to the industry at various points in order to help it out of the 'recession'. The Commerce Ministry has apparently taken it upon itself to push the industry's case for easing of the credit restraints.

But what is this so-called 'recession' that the textile industry is talking about? Even if the industry's claims about decline in cloth prices and accu-

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mulation of stocks of cloth are accepted, the picture that emerges is not one of recession. Cloth prices, especially prices of the better varieties, have risen very sharply in the last two years and mills have been making very high profits. All that has happened is an arresting of the rising trend of prices. Partly this may be the result of some market resistance to the continuous price increases; partly this may be due to some temporary dislocation in the cloth trade's financial arrangements as a result of the ebb and flow of black money. Yet another possibility is that the textile industry and trade may together be indulging in some scarcemongering to beat down the price of cotton at the beginning of the cotton marketing season. Whatever the explanation, it is evident that there is no case whatsoever for any relaxation of credit policy. On the contrary, the monetary authorities should so use the credit instrument as to ensure that the declining trend in cloth prices is strengthened and the price fall extended to all the varieties of cloth. Instead, what seems to be happening is that at the first faint sign of any fall in prices, the Commerce Ministry is rushing to the industry's assistance.

It is not in the case of the textile industry alone that grave anxiety is being expressed about the threat of a recession. The cry is going up everywhere that credit policy must be relaxed so that the threatened recession is averted and production maintained. The Finance Ministry, under the stewardship of C Subramaniam, seems to be most concerned about the threat. Subramaniam is showing keen interest in the credit policy for the coming busy season.

It is indeed remarkable that a slight easing of the upward trend in prices of some commodities should be considered such a grave matter, especially when arresting the inflation had been given such a high priority in the government's policies. Equally remarkable is the fact that the recession should be attributed entirely to the so-called credit squeeze which, again, till recently was regarded as the most potent weapon for managing demand and controlling the inflation. The behaviour of prices too is seen in a distorted light. It is ignored that in almost every case the consumer has still felt no relief as a result of the alleged break in the price rise and that the decline in prices has touched the retail level only in very few cases.

The fact is that the downward trend in prices of several commodities has not begun to be reflected even in the wholesale price index. In the compilation of the index, controlled prices, wherever applicable, get a heavy weightage and insofar as such articles as sugar, foodgrains, cement and steel are concerned, the authorised market prices as distinct from the actual prices that prevail are taken into account. Such fall in prices as has taken place has been in relation to the dizzy heights to which the actual market prices of these commodities had risen. The recession jitters are, therefore, largely contrived so as to extract fresh concessions from the government. Judging by the Commerce Ministry's response to the textile industry's cries of distress, the government does not appear to be at all reluctant to be pressurised in this manner.

GUJARAT

How Officials Sabotage Land Reform

THE Tenancy Act has been in force in Gujarat for the last 30-35 years and the Land Ceiling Act for nearly 15 years. In March last year the Tenancy Act was further amended with a view to (1) restoring the rights of tenants to purchase the land they were tilling which the tenants had forfeited for one reason or another; (2) preventing landlords from offering inducements to tenants to part with their lands against the law; and (3) reducing the number of absentee landlords.

Though on paper the laws appear very favourable to tenants, their enforcement depends on whether the names of the landlords and the tenants are correctly registered in the title deeds and the government records. Following widespread complaints that the village Talatis' records do not show the correct position in this regard, the Government of Gujarat had appointed a team of eight officials to go from village to village and collect data with a view to updating the records.

This team has finished its work in 12 districts. In these 12 districts it has found that there are 36,553 tenants whose names have been deleted from the records even though they are still tilling the land. Besides as many as 1,21,490 farmers had not applied for registration as tenants. Though these farmers are tilling the land, the records show the landlords as the tillers. As a result, the real tiller is forced to part with as much as half his crop or, worse still, is treated as an ordinary agricultural labourer.

The village-level officials have been assigned a crucial role in the implementation of tenancy legislation. Repeated experience has, however, shown that as a rule these functionaries openly collude with landlords to deprive the tenants of the benefits of the laws enacted for their protection. A few instances, which are typical of thousands of cases, are described below.

An Adivasi tenant of village Andhasi in Valod taluka had been tilling a plot of land measuring about 15 bighas for nearly 20 years. He gave this information to the team of officials appointed by the government to collect data on tenancy and related matters in the presence of the landlord, a Rajput. The other tenants of this landlord, fearing harassment, had decided not to appear before the team of officials. The sons of the landlord, who were present at this meeting, claimed that they and not the adivasi were the real tenants. The next day the landlord took possession of the land. The tenant filed a complaint with the Mamlatdar at Valod. The landlord in turn filed a criminal complaint with the police sub-inspector against the tenant. The police officer visited the village. In spite of the fact that the sarpanch endorsed the tenant's claim, the tenant was taken into custody, severely beaten and locked up for three days. After his release, the tenant again complained to the Mamlatdar and obtained a stay order from the Prant Adhikari. The landlord obtained a stay order against this from the Court, put pressure on the Prant Adhikari to cancel his order and took possession of the land once again. The tenant finally appealed to the Tribunal and got a fresh stay order against the landlord.

Clearly, it is impossible for most tenants to engage in such protracted litigation. In this particular case, it was possible for the adivasi tenant to do so because he was helped by a team of volunteers at their own expense. For doing so, these volunteers are being harassed by the police in all possible ways and cases of breach of peace have been filed against them. For the last three months they are being hauled up before different courts.

In another case, village Daduria, also in Valod taluka, a tenant had been tilling the land of a Desai landlord for 15 years. Fearing that he might soon lose his land to the tenant, he sold it to another Desai. Of course, he would not sell the land openly; so he made the sale secretly with the help

of the Mamlatdar by getting the name of the purchaser-landlord registered as the tenant in the government records. When the purchaser came to take possession of the land, the actual tenant, again with the help of the team of volunteers referred to above, sought the help of the Mamlatdar, but the Mamlatdar said that he could do nothing in the matter. When the sowing season came, the original tenant started sowing on one side of the field and the usurper on the other. One day there was an altercation between the two. The police have arrested the actual tenant and put him in custody, while the usurper has been left free to till the land. The team of volunteers is trying to appeal to the Prant Adhikari on behalf of the tenant; failing this, it hopes to appeal to the Tribunal.

Another case is that of a tenant in Andhasands village in Vyara taluka. Here the tenant had been tilling the land of a Parsi landlord for two generations. However, following differences with this tenant, the Parsi landlord got the name of another tenant registered in the official records with the help of the Talati, though no attempt was made to evict the actual tenant. This year, however, the tenant was informed by the Talati that he was no longer a tenant and the new tenant, whose name had been fraudulently registered in the records, was asked to take possession of the land. As a result, both the original tenant and the new tenant started to sow the land. An appeal was filed in the regular course with the Prant Adhikari who somehow got the original tenant to put his thumb impression on a declaration that he had never tilled that particular plot of land. On the strength of this declaration, he dismissed the tenant's appeal. The team of volunteers took the tenant to Ahmedabad to file an appeal with the Tribunal. Fortunately, Madhavlal Solanki, former Revenue Minister and the author of the Tenancy Act, agreed to represent him without charging any fees. He has assured the tenant that he will get him his land back. Once again, however, how many tenants, threatened with dispossession, will be fortunate to find such a powerful backer?

How corrupt officials harass poor tenants will be seen also from the following incident which occurred at Veippi. The tenant of a landlord who had settled in Africa had been tilling the land for 20 years. When he applied for possession of the land, one small plot of land, where only grass was being grown was allotted to him by the Mamlatdar who allotted the rest of the land where other crops were grown to the absentee landlord. The tenant filed an appeal. He was called several times by the appeal officer but was never allowed to present his case. Finally, without hearing him, the appeal officer passed an order that "the tenant having failed to appear, in spite of repeated summons, his appeal is dismissed". He went further and even cancelled the Mamlatdar's allotment of the grass land on the ground that the transfer of the land was illegal. He, therefore, ordered the entire land to be handed over to the landlord. The tenant has filed an appeal with the Tribunal with the help of the team of volunteers. He is, however, too poor to live in a city like Ahmedabad and there is no knowing when his appeal will come up for hearing.

There is no end to the list of similar glaring instances of injustice and oppression. The Tenancy Act, however well meant, has turned out to be costly and oppressive for the tenants and a veritable source of livelihood for lawyers. Those who try to help the tenants are involved in various police cases which go on indefinitely from one adjournment to another. In the last six months 2,000 cases involving tenants have been registered in Valod taluka alone and most of them are still lying unheard. There is a proposal to collect the details of all such cases with a view to making a direct appeal to the Governor.

MAHARASHTRA

Government's War on Adivasis

Sharad Patil

THREE-QUARTERS of the rural population of Maharashtra consists of agricultural labourers and poor peasants. There are 54.3 lakh agricultural labourers in Maharashtra, constituting 27 per cent of the population. Tribals comprise a very large proportion of agricultural labourers. The tribal population of the state is 29.54 lakhs. The tribals are not untouchables, but they are by far the most oppressed section of the population. The overwhelming majority of them are extremely backward and unorganised. The staff of the Arts and Commerce College at Sakri, in their report on "The Character, Range and Intensity of the Famine in Sakri Taluka, 1972-73", estimated the per capita average monthly expenditure of adivasis in Sakri taluka in Dhulia district to be Rs 8.50, which may be put roughly at one-fourth of the minimum required for bare subsistence.

Adivasis who fell into the clutches of sahu (non-adivasi) usurers before the enactment of the New Tenure of Land by the British at the turn of the century became agricultural labourers. Most of the rest of the adivasis became the 'asamis' of the sahu usurers — the rack-rented, debt-ridden and pauperised peasantry. Bribing the revenue bureaucracy liberally, the sahu usurers set the Act at nought and manoeuvred the alienation of the lands of adivasis on a large scale. There are 9,500 cases of alienation of lands in Dhulia district alone, out of which not less than half are those pertaining to the adivasis. The transformation of adivasis into rural proletarians through usury and then the 'primitive accumulation' through exploitation of these bound (engaged on yearly or monthly terms) and day labourers by the semi-feudal and semi-capitalist landlords and rich peasants constitutes the essence of the primary development of capitalism in the countryside.

It is largely as helpless victims that the adivasis come in contact with government schemes for development of agriculture. The various irrigation and water supply projects are a case in point. These projects being located in mountainous areas, those who are uprooted by them are inevitably the adivasis. About 10,000 families were displaced by the Ukai project alone in the talukas of Nawapur, Nandurbar, Akkalkuwa, Taloda and Shahada in Dhulia district. As the compensation given is usually in the form of cash and not alternative lands, the displaced adivasis go to swell the army of landless labourers.

Adivasi agricultural labourers and poor peasants get employment only for the duration of the agricultural season and that also on the most meagre of wages. Each year at the end of the agricultural season the bulk of the rural proletariat in Dhulia district abandons its hearth and home and migrates to Gujarat. Those who stay back survive by selling headloads of

fuel wood and grass, securing irregular employment, illicit distillation and prostitution. Even then, right up to the ripening of corn in their tiny plots of land or in the fields of the sahus, they have to live on wild roots and grain, Mahuwa flower, leaves, etc. A few years ago the Gandhi Smarak Samiti had conducted a sample survey of families belonging to the Bhil, Warli, Thakur and Tadvi tribes of Western Maharashtra. The Samiti found that during the lean months every year, more than three-quarters of these families subsisted on wild roots, while more than half were able to secure only one meal a day.

This inhuman life has taught the landless adivasis that it is only land that will make it possible for them to live like human beings. The big mass struggles for waste-land waged by the Adivasi Sewa Sangh and the Republican Party during the last two decades testify to this. But in most cases the initial impulse for the adivasis to 'encroach' on forest waste-land comes from the Forest Department, whose functionaries wish to increase their earnings. Adivasis who 'encroach' on forest waste-land are reduced to the position of virtual serfs of the Forest Department. Seizure of bullocks and agricultural implements at the time of cultivation, 'phala' (propitiation money) at sowing time, 'ira' (the 'share' of the Forest Department in the crop) at harvest time, 'pan-phul' (village-wise lump sum cash bribes), the inevitable 'panchnama', brokerage of the tout, 'chirimiri' (bribe for securing convenient date of hearing or for award of lighter sentence, etc, in cases involving real or fabricated offences) to clerks of the court, payment of fines or imprisonment every year, 'veth-bigar' (unpaid, forced labour), supply of meat and wine to the sahibs — all these are part of this serfdom.

According to the Collector of Dhulia, 'organised encroachment' has taken place on 10,000 acres of forest land in Sakri and Nawapur talukas of the district. This means that in these two talukas alone approximately 1,500 to 2,000 families of landless adivasis and non-adivasis live by cultivating forest land. For Dhulia district as a whole, a reasonable estimate would be that at least 3,500 to 4,000 landless labour families must be subsisting by cultivation of forest waste-lands. Thus the problem of forest waste-land has become a life and death issue for not less than 25,000 landless adivasis and non-adivasis in the district. If we take the districts of Dhulia, Nasik, Jalgaon and Chandrapur together, not less than 1.25 lakh landless adivasis and non-adivasis live by cultivating forest waste-lands.

Twenty per cent of the adivasis in Maharashtra live in Dhulia district. The total population of the district is 16.62 lakhs, out of which adivasis number 6.16 lakhs. It is because of this that the struggle for forest waste-land has assumed as explosive a character here as it had in Thana District.

The state government has sought to justify its organised campaign to evict adivasi and non-adivasi landless labourers from forest waste-lands on the ground that there has taken place a sharp decline in area under forests in the state. The state Minister for Forestry has contended that barely 18 per cent of the total area of the state was under forests as against the desirable minimum of 33 per cent. Government statistics, however, show that the total area under forests and land unfit for cultivation add up to 79 lakh hectares or nearly 26 per cent of the total area of the state.

More important, if the area under forests in the state has declined, the responsibility is primarily that of the state government itself. The policy of the government has been development of forests in words, but destruction of forests in deeds. The forests of the Kathi state in the Satpura ranges, now a part of Akkalkuwa taluka, ranked next only to those of the Dangs. However, forest contractor Nasarwanji Ankaleshwaria, the then District Congress President, C A Patil, now an MP, and the Forest Department combined to demolish this forest and render the Satpuras bald. The widow (then an MLA) of the Deputy Minister for Social Welfare, D N Padvi, was granted 60 acres of land carved out from standing forests. Lands belonging to Sarupsingh Mirya Naik, MLA from the Nawapur reserved constituency, and to his co-villagers hailing from Nawagaon, were submerged under the Ukai reservoir. They should have been given lands out of the vast area of Gujarat which benefited from the project. Instead, they were presented with 1,000 acres of the rich Devmogra forest after razing it clean. The Raymond Woollen Mills of Thana was similarly presented with 10,000 acres of the Laling forest land, a few miles away from Dhulia, for breeding Australian sheep. Capitalistic forest contractors, either on their own or through co-operative forest labour societies, have been hectically engaged in cutting down forests. It is due to such actions that over vast areas of supposedly forest land there have been no forests for many years before these areas are put to the plough by the landless as well as over vast tracts of so-called 'protected forests' still unscratched by the plough.

On the other hand, expansion of forests does not have to be over cultivable land. One of the richest forests in the country is that of the Dangs. It flourishes mostly on mountainous and uncultivable soil. Extensive development of forests can take place if the Maharashtra government took up afforestation of the vast denuded mountainous and uncultivable tracts of the state. Lakhs of rupees are spent every year by the Forest Department on planting forest trees, but they wither away because of lack of seriousness on the part of the government and shortage of personnel.

There is thus no basic conflict between the demand for land of the adivasi and non-adivasi landless and expansion of forests in the state. In fact, very large areas of supposedly forest land can be distributed among the landless without impairing the objective of development of forests. During his tour of Dhulia district in June this year, the state Home Minister, Sharad Pawar, admitted that 13,000 to 15,000 acres of forest land in Shahada and Taloda talukas could be distributed among the landless adivasis.

The real reason for the state government's campaign to evict the landless, mainly adivasis, from forest waste-land in Dhulia district may not thus be its concern for development of forests at all; instead it may be the Congress party's fear of losing its influence over the whole of the adivasi belt due to the rapidly increasing following of the CPI(M) and the Shramik Sanghatana. Local Congressmen had been persistently urging the Forest Minister, who is also in charge of Dhulia district, to crush the adivasi and other 'encroachers' on forest land together with their organisations. The brutality with which the operation has been carried out and the degree of force used suggest political motives on the part of the government.

The State Home Minister began a tour of the Shahada-Taloda area of Dhulia district on June 5, avowedly to establish amity between the landlords and the agricultural labourers. On that very day, 400 jawans of his Special Reserve Police struck camp at Visarwadi and proclaimed an undeclared war on the adivasi cultivators of forest waste-

lands in Nawapur taluka. A wave of terror involving indiscriminate beating of men and women, old and young, and looting spread from Nawapur to Sakri taluka.

In protest against this and against the repression unleashed by the landlords on the movement of agricultural labourers in the Shahada-Taloda area, the District Sangharsha Samiti organised a morcha of 6,000 rural and urban workers to the Collectorate on June 24. Apart from the common demands of the workers and peasants, the memorandum submitted by the Samiti to the Collector made the following demands: withdrawal of the SRP, punishment of the perpetrators of atrocities, withdrawal of politically-motivated cases, regularisation of the forest waste-lands brought under cultivation by the landless adivasis and non-adivasis and permitting them to till the lands at least for the current year.

The Collector held a press conference at Dhulia on July 1 in which he alleged that the CPI(M) had established a parallel government in Sakri and Nawapur talukas and had unleashed a reign of terror. He further declared that the government was determined to put down the encroachment on forest lands. This statement by the Collector was an attempt to cover up the atrocities committed by the SRP against the landless. It was also part of the preparation to intensify the repression. This was borne out by the pre-planned clash that was imposed upon the forest cultivators of Pankheda in Sakri taluka on July 9 by a posse of SRP and forest guards who went to Vanjankudi to uproot the Nagli seedling plots. In prearranged publicity to the incidents, it was claimed that a mob of hundreds of adivasis belonging to the CPI(M) had attacked the SRP and the forest guards and injured four SRP personnel seriously. After this barrage of propaganda, all the SRP personnel and forest guards of the area and armed constabulary from Dhulia were massed at Pimpalner, three miles from Pankheda, and waves of attacks were launched daily from July 11 onwards on the villages of Vanjarkudi, Chinchpada, Vaki, Kalikhet and Bodhra. Everybody who was caught was beaten up ruthlessly; neither women nor children nor aged were spared. Bayonets were thrust into the mouths of children crying with fright. The villagers took refuge in the forest and stayed on there in pouring rain. The villages were deserted.

It is against this background that five leaders of the Maharashtra State Sangharsh Samiti — representing the CPI(M), SP, PWP, the Red Flag Party and the CPI — toured the repression-torn areas of Dhulia from July 17 to 27. The team paid a visit to the Vanjarkudi-Chinchpada area of Pankheda on July 17 and heard the accounts of the victims of SRP atrocities. Addressing a big public meeting of forest cultivators of the taluka at Sakri on July 17, the leaders assured them of the support of the common people of the whole of Maharashtra. On July 18 a batch of 326 landless adivasis and non-adivasis, including 104 women offered satyagraha before the Sakri Tehsil office by breaking section 144. They were sentenced to 15 days' rigorous imprisonment. The leaders then proceeded to Nawapur; on the way they saw the SRP camps at Dahiwel (Sakri taluka) and Visarwadi (Nawapur taluka) and the destruction of Nagli seedling plots at Dukkarzira (Sakri taluka). Landless adivasis from all over the taluka flocked to a public meeting at Nawapur. The victims of SRP atrocities related their tales of suffering after meeting. A batch of 134 landless adivasis, including 45 women, offered satyagraha before the Nawapur tehsil office on July 19. They were sentenced to 20 days' RI. Tumultuous public meetings took place at Wadala (Shahada taluka) and in Shahada proper on July 19. Led by the Shramik Sanghatana, 1,599 men and 285 women participated in the satyagrahas in Shahada, Taloda and Nandurbar talukas on July 20 and 21. In all 2,344 landless adivasis and non-adivasis, including 434 women, took part in this civil disobedience movement. Of these, 957 satyagrahis, including 282 women, underwent sentences ranging from five days' to one month's RI.

The leaders addressed a press conference at which they issued a statement demanding (1) dismissal of the officers responsible for making the charge of parallel government; (2) immediate withdrawal of the SRP; (3) regularisation of the forest waste-lands cultivated by the landless; and (4) development of forests with the co-operation of the adivasis. At a crowded public meeting, the leaders attacked the semi-fascist repression unleashed by the government on the landless and appealed to the citizens of Dhulia to actively support the struggle of their adivasi brethren.

But instead of reconsidering its policies, the government intensified the repression. The adivasi chairman of the Sakri Taluka Panchayat Samiti, Reshma Bhoye, and other local Congressmen spearheaded a campaign to completely destroy crops raised by adivasis on forest lands. The campaign soon spread to the non-adivasi talukas of Dhulia and Nasik districts. On August 15, the 28th anniversary of Independence, the SRP beat up Raghu Daga Bhil, an adivasi forest cultivator of Morena, a village three miles away from Dhulia, so inhumanly that one of his hands was fractured. The District Sangharsha Samiti took out a morcha of the landless of Dhulia taluka and demonstrated before the Collectorate on August 21. In spite of the complaint lodged against the SRP and the assurance given by the Collector to the morcha, none of the SRP personnel recognised by Raghu Bhil in the identification parade has been arrested uptill now, while five adivasi women (one of them very old) and 20 adivasi men have been arrested in the Pankheda case and have been charged with 'assault to murder government employees', etc. Prominent workers of the CPI(M) have been deliberately implicated in the case.

It has also become clear beyond doubt that the use of SRP is not going to be restricted to suppression of the nascent movement for forest waste-land in the area, but is to be extended to suppression of the powerful movement of agricultural labourers. The Collector had stated in his press interview on July 1 that there was no problem of encroachment in the Shahada-Taloda area. The State Home Minister, Sharad Pawar, had also declared in the Legislative Assembly on August 26 that the SRP had been stationed in Shahada area for defending the adivasis against oppression by the landlords. However, on September 5, Kirsingh More, a prominent adivasi worker of the Shramik Sanghatana, was ruthlessly beaten by the SRP at Rampur, in Shahada Taluka.

Sharad Pawar had announced on the floor of the Legislative Assembly on August 2 that the government had decided to raise two new units of SRP in order to post them in the districts of Dhulia, Nasik and Jalgaon. He got a supplementary demand of Rs 7.87 lakhs passed for recruiting these units. The Minister had then boasted that his government had accepted the challenge of the CPI(M) in Dhulia district. In pursuance of this boast, the government is proceeding to transform Dhulia district into a semi-military camp.

INTERNATIONAL AFFAIRS

Peaceful Co-dominance

G P D

DETENTE is the word. It's a hot favourite of the powerful ones of the international system. In plain English, it means a series of deals that the super powers have struck with each other in recent years. In 1972, for example, the two super powers were busy either negotiating a deal or signing one every week of the year practically. Old-time notions of 'balance of power' have now been replaced by 'detente', in much the same way as 'colonialism' has been replaced by 'neo-colonialism'. The terms have changed, at times even the actors have changed, but the essence has not.

Not very long ago 'peaceful co-existence' was the term everybody was talking about. From 1957 to 1964 there was an interesting and lively polemic between the Chinese and the Soviets on the subject. It then appeared that there was a common belief shared by both Khrushchev and Mao that they were living in a world of fundamentally incompatible social systems. They had to so devise their strategies that the interests of the socialist camp were not jeopardised. The debate was bitter, noisy and even acrimonious. Curiously, it still gave an impression that it was an intra-camp debate. If the comrades appeared to be at each other's throats, it was in the pursuit of objectives which they thought they shared. The goals were clear. In many ways the peaceful co-existence doctrine was a sophisticated and improved version of the 'two-camps' doctrine. If the connection was not clearly seen, it was because Khrushchev's famous fulminations at the 1956 Congress of the CPSU had made Stalin taboo.

Stalinism Diluted

In any case, the signs of the changing Soviet strategies were already visible in the last work of Stalin on the economic problems of the USSR. Khrushchev only picked up the thread. Neither the Chinese nor the Soviets would like the Khrushchev phase in Soviet foreign policy to be described as Stalinism without Stalin. It was, of course, Stalinism diluted, made a little attractive. That difference probably had something to do with the personalities of the Georgian and the Ukranian. In retrospect, it is possible to argue that had it not been for the state of agriculture in the USSR and the Cuban episode of 1962, Khrushchev's foreign policy would have remained one of "peaceful co-existence between differing social systems". The agricultural imports played a dominant role in Khrushchev's calculations.

Opposite Conclusions

Khrushchev also believed in Soviet power. This belief is in many ways the starting point of the Sino-Soviet polemics. Back in 1958, Mao and Khrushchev drew two opposite conclusions from the power of the socialist camp. Mao seemed to believe that the socialist camp had now enough power to stand on its own and that the West wind would have to lie low before the mighty East wind. Khrushchev, on the other hand, reckoned that the power of the socialist camp was mainly defensive in character. What mattered to him most at that time was the fear that an armed confrontation between the two camps, ending in a nuclear catastrophe, would ruin the beautiful socialist world. This fear resulted in the Camp David talks between Khrushchev and Eisenhower in 1954. Even before Khrushchev knew it, the power relationship between the two camps became the power relationship between the two states. It was inevitable that the power of the socialist camp should be in reality the power of the Soviet Union. Similarly, the Gaullist challenge notwithstanding, the US had already become the dominant power of the Western camp. The Soviet-American relationship was, and still is, the central relationship of international politics of our times.

During the ten years since Khrushchev's fall, this relationship and its central, crucial role have been further consolidated. What was peaceful co-existence between different social systems has now inevitably become peaceful co-existence between the two states. It is, in fact, more than just co-existence. Peaceful co-existence has become 'peaceful co-dominance' of the world at large. The Americans call it 'detente'. The early signs of this development were visible in Khrushchev's days. But, largely, it is a contribution of Comrade Brezhnev and his colleagues in the system, President Nixon and Henry Kissinger. It is not as though the Soviets do not use the term peaceful co-existence any longer. Far from it. They cling to it tenaciously. The term has not changed; the essence has.

Kissinger is in Moscow now to assure his Soviet comrades that although, because of the dirty Democrats' conspiracy, their esteemed colleague Richard Nixon has had to quit office, they have nothing to fear from his successor in the White House. A wheat deal cancelled, he would tell them, is only a wheat deal halved. The other half might be needed by the progressive section of the national bourgeoisie in India, which, as Brezhnev would understand, is a firm ally of the Soviet Union. It does not behove a good detente statesman to pretend that one's ally is not the other's too.

Tricky Problem

Then there is the tricky problem of the weapons systems. The armies, navies and air forces of the two states should equip themselves with almost everything that technology can invent. But in so doing they should not tread on each other's toes. Kissinger has said that detente is not a final state one arrives at; it is a dynamic process. He could not have described it better. The weapons systems provide the most elaborate example of that process. It is there that both the super powers have to agree on how much they plan to expand. They have also got to agree on the areas in which either power will have a lead. The first condition of successful co-dominance is that both powers should agree that in terms of weapons systems neither will try to be heavier than the other, for in that case the delicate structure of detente would collapse. We can safely predict that for quite some time to come the thrust of Soviet-American relations will be dominated by very intricate negotiations on arms control. There is also another factor. Both powers will have to ensure that the rest of the countries continue to prefer to destroy one another with weapons which are 'obsolete' by super power standards. As long as the Arabs and the Israelis, the Indians and the Pakistanis, the Iranians and the Iraqis and so on and on, continue to take delight in killing each other with weapons which are a step or two removed from super power standards, there is not much to worry about the world.

Conflict-management is thus closely

related to weapons systems. The most important precondition for successful conflict-management is, as the last Arab-Israeli war showed, that the principal combatants should be in the main dependent upon the super powers for their supplies. American-Soviet diplomacy has to be geared to sorting out these problems. There is that tricky Cyprus problem. The Middle-East scene is also not tidied up yet. These are, however, problems which are bound to crop up from time to time. After all, detente does not mean that mutual suspicions or contradictions have withered away. Like the good power politician that he is, Kissinger knows well that they will not wither away till the state itself does. Brezhnev will probably agree with him that the possibility of that kind of catastrophe occurring is very remote indeed — the optimism of the German philosopher notwithstanding.

Decisive Superstructure

In short, if there appear to be problems and contradictions in the Soviet-American relationship it is primarily because of the enormous power of these states and the attendant complexities. The superstructure has now become decisive. It is almost threatening the base all the time. If the base of defence industries and other subsidiary industries is not to give way, the delicate power-relationship will have to be handled very carefully. Co-dominance of the world is at stake. Super powers of the world unite! You have nothing to lose but your ideological inhibitions!!

This is the message which Kissinger has probably carried to Moscow. It is very relevant right now. There are a few developments around the world which call for the attention of the super powers. Wrong people have got into the government in Portugal. The Greeks seem to have suddenly remembered that democracy was a Greek institution to begin with. The Reds seem to be rather on the offensive in places like Italy and France. Western Europe, in short, may well be in for some changes. If these developments were to take place in Latin America, American power would be enough. But when they occur in areas so close to the Soviet Union, it is only fair that the two powers should think hard and together on these matters. The European communist parties are going to meet soon. What do we the super powers make of these developments? Once the Soviet Union and the US are clear on this to the extent possible, the CPSU's delegation can go to the conference of European communist parties.

Obviously, Kissinger is not going to solve all these questions in the course of a single trip. There will have to be many more trips. But then, Kissinger has already told us that the detente is a continuous process. In short, detente is the dynamics which keeps the principle of super power management of the world static — of course, to the best of super powers' ability. Kissinger's trip to Moscow is one more dynamic step in the process.

ISRAEL

Lost Self-Confidence

Surendra Bhutani

THERE has been a sea-change in Israel since the war of October 1973. The self-confidence which was so much a hallmark of the Israeli character after the June 1967 war has been overtaken by not just doubt and self-criticism but a defeatist feeling. Israelis keep reminding themselves of the price paid by their young soldiers for not losing the 1973 war. The casualties suffered in the war were the highest in the history of Israel; it is difficult to find a street or a kibbutz which is without its war-dead.

The Israeli mood is reflected in the political changes which have taken place in the past one year. The old guard is out and new men have taken its place. The Golda-Dayan team was elbowed out when it tried to put the whole blame for the setbacks of the 1973 war on the military machine. The military generals were not given an opportunity to present their side of the case, but waves of protest movements somehow managed to bring out the truth in public. Golda Meir was replaced by a technocratic leadership under ex-general Yitzhak Rabin. Former finance minister Pinhas Sapir, the most influential man in the ruling Labour party, deliberately brought in a new face, so that once the trauma of the 1973 war has been overcome, he can stage a come-back. The powerful Defence Minister, Shimon Peres, an ex-Dayan man, is also looking for the same opportunity.

The new leadership has been unable to open any new vistas of peace. It clings to the old doctrine that peace can come only through face-to-face negotiations with the Arabs. But till then what? Reliance on American arms to fend off an attack is losing its relevance. The US-Arab rapprochement has caused great concern in Israel. After his recent visit to the United States, Premier Rabin admitted ruefully, "We don't see eye-to-eye with the US on many issues". Israeli leaders had acclaimed the partial disengagement with Egypt and Syria as a first step to peace. But they had reckoned without the Palestinians. Israeli morale slumped when commandos swooped on border settlements like Maalot and Kiryat Shimona, killing more than sixty people and inflicting fresh wounds on the already scarred Israeli psyche.

In the Doldrums

The Israeli economy too is facing serious problems. Industry, Israel's springboard for joining the affluent West, has been in the doldrums. The balance of payments gap is more than three-quarters wider than a year ago. Food prices are up 35 per cent this year. The common Israeli, particularly the Oriental Jew, has been severely affected by the inflation. Apart from the Jews from the Soviet Union, immigration is tapering off. In fact, people are leaving Israel for other countries. Recently a Belgian Roman Catholic welfare organisation said that it was looking after 600 Soviet Jews who had failed to settle down in Israel and who had been refused permission to stay in other West European countries.

However, what contributes the most to the Israeli gloom is the military outlook. If there is a new round of war, as many Israelis fear, the Arabs could field 6,000 tanks and 1,500 combat planes — which is about double their number in the 1973 war —, besides missiles aimed at Israeli cities. Israel may still have the upper hand in the next round, but the cost will be very heavy. The longer-term prospect is even more gloomy, for it is clear by now that the Zionist dream of a Jewish homeland in Palestine has come to mean a state of constant war with the country's neighbours.

Investment Behaviour of Monopoly Houses

I — Structure of Fixed Investment Decisions

Aurobindo Ghose

The phenomenal growth of monopoly houses during 1956-73 was accompanied by a progressive break-down of planning, particularly of industrial licensing as an instrument of regulation of private investment. To explain this development, it is necessary to understand the monopoly houses' behaviour with respect to fixed capital investment.

For this purpose, the investment decision itself has to be identified. The investment decision is not a simple decision. It has a structure. The identification of this structure has important implications. This paper is an attempt to understand some of these aspects.

In Section I of the paper, published this week, a detailed attempt is made to identify the structure of Indian monopoly houses' investment decisions, conceptually as well as empirically. In Section II, certain underlying attributes of the structure will be sought to be highlighted in terms of the economics of pre-emption. The concluding part will seek to derive some of the more important implications of the structure of investment decisions, particularly for understanding the time-path of the monopoly houses' fixed investment.

OF all the different forms that investment can take — fixed capital, inventory and financial securities — investment in fixed capital is by far the most significant. In quantitative terms, it has accounted for about two-thirds and more of total gross assets formation for the houses of Tata, Birla, Mafatlal and Shri Ram (see Table 1). In qualitative terms, this is a direct way of augmenting productive capacity, which is the prime purpose of investment.

To understand the monopolist's behaviour with respect to fixed capital investment, it is necessary to identify the investment decision itself. Most of the key concepts developed in this study owe their origin, in one way or the other, its writings to Michal Kalecki, particularly two of his papers: "The Determinants of Investment" and "Outline of a Theory of the Business Cycles", both included in "Selected Essays on the Dynamics of the Capitalist Economy, 1933-70", Cambridge, 1971.

Investment in fixed capital is not an indivisible, instantaneous act. It is instead a process spread over time and consists essentially of two parts: a decision-making part and a part where the decision materialise into actual investment.

The decision-making part itself is not monolithic but composite in character. The investment decision has a structure. It is not a single decision but consists of a number of component decisions, i e, intermediate decisions. The different components follow one another in a certain sequence, with appropriate time-lags. This sequence is both causal and chronological and may not be rigidly the same in all cases. Broadly speaking, the earlier decisions are those of identifying investment opportunities, choosing among them and transforming those chosen into specific investment plans. At the other end come the decisions to implement each investment plan through order of plant and machinery and start of construction. In between there is likely to exist a number of particular decisions.

It is possible to attribute a certain cost to intermediate decisions, as well as an aggregate cost to the investment decision as a whole. By cost of a decision is meant the expenditure it entails. The magnitude of such costs and the sequence in which the decisions are taken, determines the extent of reversibility of investment decisions.

By reversibility of investment decisions is meant the capability of the monopolist to postpone, modify or cancel specific intermediate decisions or even the investment decisions as a whole. Obviously, if a decision consists of several intermediate decisions, rather than of a monolithic unity, the possibility of its reversal is more. Reversibility of decisions denotes a certain flexibility to decision-making. A decision is no longer rigid and unalterable. Here it may be noted that the concept of reversibility is inclusive of and wider than the concept of revocability.

The actual extent of reversibility of intermediate investment decisions determines the correspondence or relation over time between the volumes of successive intermediate decisions. It also determines the correspondence between the volume of intermediate decisions taken at any time and the volume of investment realised subsequently.

To identify the structure of fixed investment decisions of Indian monopoly, data on various aspects of fixed capital investment of five selected industrial houses, Tata, Birla, Mafatlal, Sri Ram and Kirloskar have been examined for the period 1955-72. (For details on the nature and sources of data, see Appendix B on "Time-Phasing of Licensed Investment: Methodology and Sources of Data".) The criteria adopted for examining the different decisions relating to any investment project have been: (a) the sequence of decisions, (b) their respective costs, and (c) their respective reversibilities.

Sequence of Investment Decisions: Broadly, the sequence of decisions relating to any representative investment project are as follows:

(A) The intending investor identifies an investment opportunity, applies for an industrial licence or letter of intent, and pursues the application until it is approved.

(B) Having received the letter of intent, the investor proceeds to negotiate with foreign collaborators, foreign capital goods suppliers and public financial institutions. If the negotiations succeed, he tries to get government's approval of foreign collaboration, consent regarding capital issue and the sanction

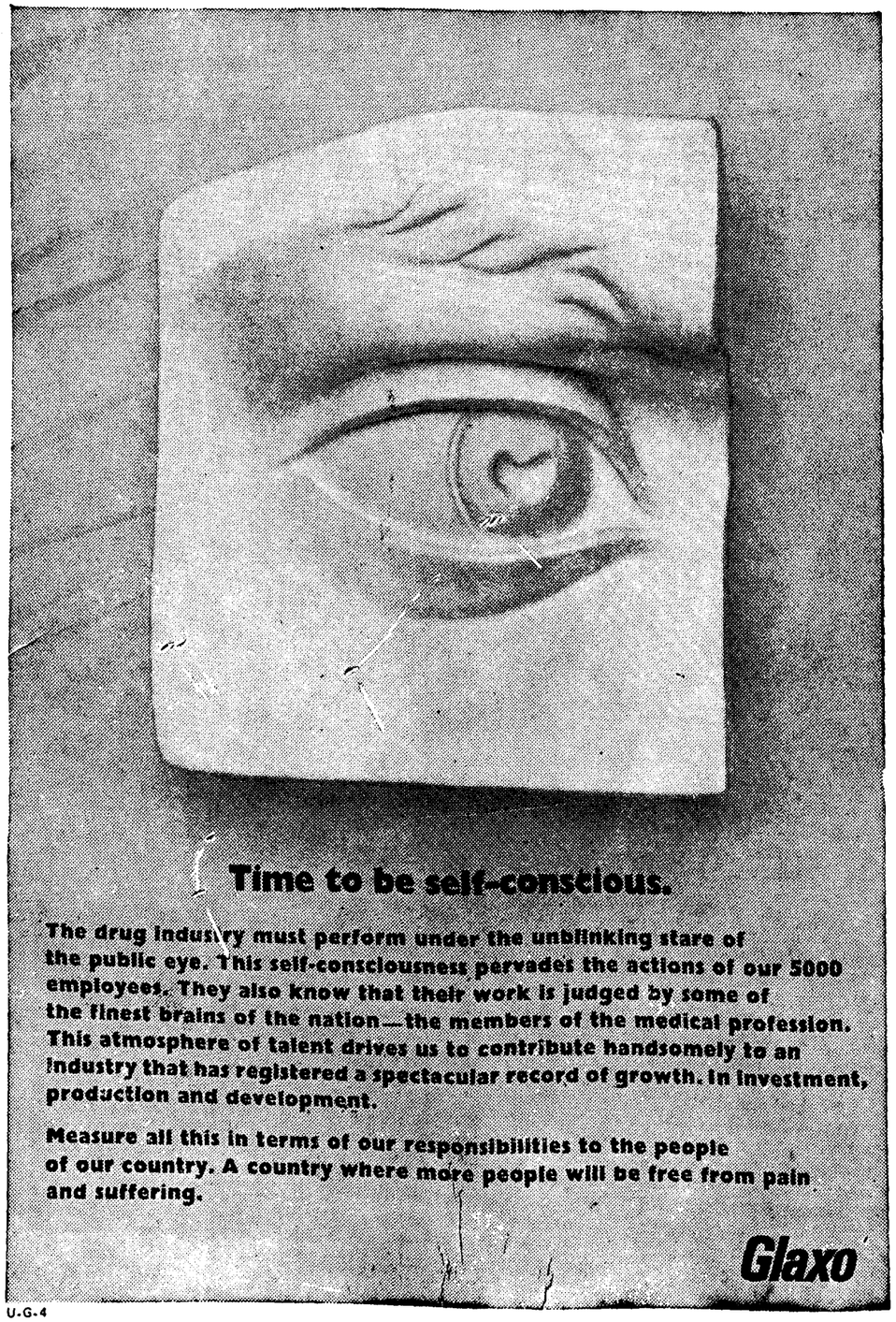


TABLE 1 : STRUCTURE OF SOURCES AND USES OF FUNDS FOR GROSS ASSETS FORMATION : SELECTED INDUSTRIAL HOUSES, 1951-58 AND 1956-68

(Percentages)

Sources	Tata	Birla	Mafatlal	Sri Ram	Kirloskar	Uses	Tata	Birla	Mafatlal	Sri Ram	Kirloskar
1	2	3	4	5	6	7	8	9	10	11	12
1951-58											
(1) Share Capital	14.9	28.5	12.9	10.0	12.7	(1) Gross Fixed Assets	73.4	70 7	54 2	84.4	40.3
(2) Gross Internal Accumulation	18.9	34.0	48.4	42.3	38.8	(2) Inventory	16.3	23.5	26.4	3.9	37.7
(a) Depreciation	13.1	26.7	50.2	31.2	21.3	(3) Investments	2.7	0.5	1.9	0.6	0.5
(b) Reserves	5.8	7.3	—1.8	11.1	17.5						
(3) Loans	45.6	23.8	6.9	33.9	23.2	(4) Receivables and Cash	7 5	4 3	17 4	8.7	16.0
(4) Other	20.6	13.7	31.8	13.8	25.3	(5) Other	0.1	1.0	0 1	2.4	5.5
Total Gross Liabilities	100.0	100.0	100.0	100.0	100.0	Total Gross Assets	100.0	100.0	100 0	100.0	100.0
1956-68											
(1) Share Capital	12 4	10.6	16.6	10.8	14.7	(1) Gross Fixed Assets	68.9	68 2	65.6	73.0	41.2
(a) Equity	10.9	8.0	16.4	8.6	11.8	(a) Gross Plant and Equipment	54 6	54.0	35.6	63.4	28.6
(b) Preference	1.5	2.6	0.2	2.2	2.9	(2) Inventory	18.1	18.5	20 2	13.9	25.2
(2) Gross Internal Accumulation	44.4	42.7	14.4	32.5	28.4	(3) Investments	0.6	1.2	0.1	1.7	2.9
(a) Depreciation	33.6	27.4	11.9	21.7	14.2	(4) Receivables and Cash	9.8	11.9	10.6	6.6	30.4
(b) Reserves	10.8	15.3	2.5	10.8	14.2	(5) Other	2.5	0.2	3.4	4.8	0.3
(i) Development Rebate	5.0	7.0	3.9	4.6	6.0						
(3) Loans	31.0	33.3	65.3	49.5	34.4						
(a) Bank Loans, etc	17.7	14.5	26.1	22.0	23.7						
(b) Institutional and Foreign Loans	11.1	16.7	35.1	25.9	10.7						
(c) Debentures	2.2	2.1	4.0	1.7	—						
(4) Other	12.2	13.4	3.7	7.1	22.5						
Total Gross Liabilities	100.0	100.0	100.0	100.0	100.0	Total Gross Assets	100.0	100.0	100.0	100.0	100.0

Sources : (1) For the period 1951-58 : R K Hazari, "Structure of Corporate Private Sector".
(2) For the period 1956-68 : Author's sample, based on all house companies included in the "Bombay Stock Exchange Directory"
See Appendix A for details

of assistance from public financial institutions.

(C) Thereafter, he applies for licence to import capital goods, converts the letter of intent into a final industrial licence, orders for the required capital goods and arranges for the finance from the capital market and/or the financial institutions: Land having been acquired earlier, he arranges for power, water supply and labour. Contruction is taken up thereafter and machinery installed.

In this sequence, the precise position of decisions like acquisition of land and order of indigenous machinery is not fixed and unequivocal.

Although such a sequence is general, it applies in particular to the large-sized investments which only monopoly can undertake. In smaller investments, many of the above components of investment are not relevant.

Cost of Investment Decisions: The cost involved in taking different investment decisions is considered here in terms of the important stages in the investment process.

(i) Licensing: There is a cost involved in obtaining licences. This arises from the motivation and the capacity of the monopolist to corrupt the licensing system. For this purpose, he maintains an organisation to collect information vital to the timing of applications and for pursuit of licence applications till they are approved. It is not possible to quantify such costs but some evidence about their existence can be given. The ILPIC Report has observed:

> "It is well known that many of the larger industrial houses maintain liaison officers in Delhi, were licensing decisions are taken. These persons try to maintain contact at business and social levels with senior persons in Government and seek to influence the exercise of discretionary powers in their favour".[1]

Enough evidence has been given by the ILPIC Report elsewhere that such discretionary powers do actually get exercised in favour of the larger industrial houses.[2] From the viewpoint of the monopolist the costs of licensing are likely to vary as between types of licences. For special licences the cost can be particular, corresponding to the monopolistic advantages likely to accrue. For ordinary licences a standard unit cost of maintaining the public relations organisations can be assumed.

(ii) Foreign Collaboration: The relevant costs here are those of negotiations with foreign collaborators, preparation of the technical project report and of securing and expediting government approval for the collaboration. It has not been possible to give evidence of the magnitude of such costs, but they are likely to be substantial.

(iii) Capital Issue: Apart from possible costs of obtaining approval from the Controller of Capital Issues, the most tangible costs relevant here are those of underwriting, brokerage and notification through prospectus or newspaper announcement at the time of public issue.

(iv) Sanction of Assistance from Public Financial Institutions: It is possible to identify at least two kinds of costs relevant here: (a) the commitment charge of about one-half of one per cent on the sanctioned loan which needs to be paid irrespective of its ultimate utilisation and (b) the cost that can be attributed to goodwill and reliability *vis-a-vis* the public financial institutions which would be affected in case the loan agreement is not implemented.

(v) Capital Goods Imports: Costs relevant to decisions regarding capital goods imports are those of negotiations with the foreign equipment suppliers and also of goodwill lost in case of cancellation of order for import of machinery. Both these costs are likely to be considerable.

(vi) Acquisition of Land. The cost of revoking a decision to acquire land is relatively low. Land has alternative uses within an industrial house and it is also easily marketable.

(vii) Order of Indigenous Machinery: The cost of cancellation of order for

TABLE 2 : REVOCATION OF INVESTMENT PROPOSALS SUBSEQUENT TO SPECIFIC INVESTMENT DECISIONS : EVIDENCE FOR SELECTED INDUSTRIAL HOUSES

House/Enterprise	Details of Original Proposal: Date	Product	Annual Licensed Capacity	Type	Location	Year/Date of Revocation	Remarks
1	2	3	4	5	6	7	8
(I) *Revocation Subsequent to Shift in Location :*							
Tata							
(1) Investment Corporation of India	20.7.61	Boiler Equipment	Value of output worth Rs 29 lakhs	NU	Maharashtra	7.7.62	Location shifted to West Bengal, dated 30.3.62. Foreign Collaboration with James Howdar and Co (UK) approved in July-Sept 1961.
Birla							
(1) Woodcraft Products	26.6.57	Teachest Plywood	1,700 tonnes	SE	Mariani, Assam	22.1.66	Location shifted to Jeypore, Assam, dated 10.3.60.
(2) Texmaco	12.9.60	C.I. Spun Pipes and Fittings		NA	Maharashtra	1.1.66	Location shifted within Maharashtra, dated 4.8.61.
(3) Bharat Commerce and Industries (Kiran Spg Mills)	13.7.64	Staple Fibre Yarn	12,680 spindles	SE	Ghatkopar, Maharashtra	22.6.68	Location shifted to Thana, Maharashtra, dated 7.8.64.
Sri Ram							
(1) Delhi Cloth Mills	22.11.60	Superphosphate (fertiliser)	72,000 tons	Shifting	Allahabad, UP	20.10.62	Location shifted from Delhi. Foreign collaboration with Phosphate Acidulating Corporation (USA), approved in October-December 1961.
(II) *Revocation Subsequent to Foreign Collaboration Approval*							
Tata							
(1) TELCO	24.12.60	Auto Forgings	1,200 tons	SE	Jamshedpur, Bihar	26.1.63	Foreign collaborations with (i) Garringtons (UK) and (ii) Scottish Stamping and Engineering (UK) approved in July-Sept 1962.
(2) Tata Oil Mills	30.11.61	Canned Fruits		NA	Ernakulam, Kerala	9.12.64	Foreign collaboration with Takasago Perfumery (Japan) approved in July-September 1962.
(3) Indian Tube	17.1.62	Fold Formed Sections	7,200 tons	NU	Jamshedpur, Bihar	6.6.64	Foreign collaborations with (i) Metal Trim Company (UK) and (ii) Stewart and Lloyds (UK) approved in January-March 1964.
Birla							
(1) Cotton Agents	2.8.60	Sheet and Plate Glass	26.8 Mn Sq ft	NA	Porbandar, Gujarat	11.9.65	Foreign collaboration with Pittsburgh Plate Glass Company (USA) approved in April-June 1963.
(2) Birla Gwalior	7.9.60	Newsprint	30,000 tons	NU	Palwal, Maharashtra	Not available	Foreign collaboration with International Paper Company (USA) approved in April-June 1964.
(3) Electric Construction and Equipment	20.1.61	Electric Hoists and Cranes	1,200 Nos	NA	Calcutta, West Bengal	20.1.68	Foregn collaboration with Tokyo Shibaura (Japan) approved in July-September 1964.
(4) High Quality Steel	19.8.61	Special Steels	19,000 tons	SE	Belgharia, West Bengal	21.7.70	Original Licencee : TEXMACO. Licence transferred on 23.10.65. Foreign collaboration with Samuel Osborne and Co (UK) approved in October-December 1965. Change in capital issue consent, regarding foreign equity participation. IDBI's sanction of foreign exchange loan and under writing assistance in 1966-67; sanctn cancelled subsequently.

(Continued on next page)

TABLE 2 (CONTINUED)

1	2	3	4	5	6	7	8
(5) Universal Tyres	31.8.61	Auto Tyres and Tubes		NU	Naini, UP	30.3.68	Foreign collaboration with Sanperit (Austria) approved in April-June 1963. Frequent changes in capital issue consent, regarding foreign equity participation.
(6) Electric Construction and Equipment	5.2.64	EOT Cranes	96 Nos (1,440 tonnes)	NA	Budge Budge, W Bengal	6.4.68	Foreign collaboration with KSB (Czechoslovakia) approved in April-June 1964.
(7) Indo-Newall Machine Tools	30.4.66	Grinding Machines	240 Nos	NU	Ujjain, MP	17.2.68	Foreign collaboration with Newall Machine Tools (UK) approved twice in April-June 1966 and January-March 1967. Capital issue consent underwent change regarding foreign equity participation. Capital goods import licences for UK and Czechoslovakia worth Rs 29 lakhs obtained on 16.8.66.
(III) *Revocation Subsequent to Acquisition of Land*							
Birla							
(1) Kesoram Cotton Mills	7.5.60	Steel Tubes	60,000 tons	NU	Calcutta, West Bengal	3.8.68	Provisional orders for machinery placed.
(2) New Swadeshi Mills of Ahmedabad	20.1.61	CI Spun Pipes	36,000 tons	NU	Ahmedabad, Gujarat	Not Available	Provisional orders for machinery placed. Capital goods import licence applied for but not received.
(3) Birla Cotton Mills	27.3.62	Cotton Yarns	250,000 spindles	NU	Khurja, UP	23.6.69	Provisional orders for machinery placed.
	27.8.62	Cotton Textile	500 auto-looms	SE		28.5.66	
(IV) *Revocation Subsequent to Sanction of Institutional Finance*							
Birla							
(1) CIMMCO	15.2.65	Steel Forgings	7,200 tonnes	SE Letter of Intent	Gwalior, MP	Not converted to Industral Licence	Public financial institutions sanctioned underwriting assistance worth Rs 125 lakhs in February 1966. Amount disbursed when debenture issue of 10.5.66 totally unsubscribed. Proposal not pursued any further.
(V) *Revocation Subsequent to Grant of Import Licence/Import Arrangements*							
Birla							
(1) Birla Jute	5.1.61	Fireclay Refractories	36,000 tons	NA	Satna, MP	24.11.62	Capital goods import licence for Czechoslovakia, worth Rs 1.20 crores, obtained on 15.7.61.
(2) Bharat Commerce and Industries	3.2.61	HT Insulators	1,500 tonnes	NU	Rajasthan	15.7.67	Capital goods import licence for Czechoslovakia, worth Rs 30.35 lakhs, obtained on 23.2.63.
		LT Insulators	500 tonnes				
Mafatlal							
(1) Standard Mills	7.11.62	Cotton Yarn	21,800 spindles	SE	Bombay, Maharashtra	17.7.65	State Trading Corporation of India agreed to grant £ 728,000 under package deal with Platt Bros (UK) for import of machinery.
(VI) *Revocation Subsequent to Order of Machinery*							
(1) New Swadeshi Sugar Mills	22.9.61	Industrial Alchohol	220,000 gallons per month	SE	Narkatiagani, Bihar	15.12.62	25 per cent of the machinery received by March 1962.
Sri Ram							
(1) Delhi Cloth Mills	23.4.55	Ossein	3,600 tons	NU	Najafgarh, Delhi	6.4.63	Maceration vats eady and building completed by July 1962 and 10 per cent of the machinery received.
		Gelatine	2,700 tons				
(2) Electric Industries Corporation	30.10.60	Rolled Copper Rods		NA	Calcutta, West Bengal	11.8.62	Firm order for machinery by July 1962.

Sources : See Appendix B on "Time-phasing of Licensed Investments : Methodology and Sources of Data".

indigenous machinery will not be prohibitive for an industrial house. This will be so if the machinery has been ordered from within the house, or if it has alternative uses within the house's different enterprises.

These costs affect the reversibility of intermediate decisions and also that of the investment proposal as a whole.

Reversibility of Investment Decisions: An investment decision is said to be reversible if it is alterable or revocable. An investment decision is alterable if the specifications of the investment proposal can be modified or if the envisaged timing of implementation of the proposal can be postponed. Similarly, an investment decision is revocable if the investment proposal can be foregone or cancelled.

The capability of an individual investor to reverse an investment proposal at any particular stage of decision-making would depend both on the magnitude of costs of reversal of any decision and also on the position of such decisions in the sequence of investment decision-making. Thus an investment decision like licensing in a relatively more competitive industry — where the cost of licensing can be assumed to be small — is likely to be highly reversible. The relative position in the sequence of investment decisions is also relevant, because as one proceeds towards investment implementation the costs of successive decisions keep cumulating. Thus whether an investment proposal as a whole is capable of being reversed at any one stage of decision-making is determined by the magnitude of cumulative costs at that particular stage. For example, the cumulative costs are likely to be high at the stage of order of imported machinery.

Along with the capability to reverse decisions, the desirability of reversing them has also to be examined. This desirability depends essentially on the opportunity cost of reversal. That is to say reversal of any investment proposal is not considered in isolation but in relation to other available proposals. The loss from reversal of one proposal are set against the likely gains from an alternative proposal (or set of proposals). The larger the availability of alternative investment proposals and the more varied the portfolio, the lower is likely to be the opportunity cost of reversing any particular investment proposal. Monopoly's wide command over varied economic resources and the availability to it of a large number of investment alternatives, means that its capacity to reverse investment decisions is considerable. In contrast, small

TABLE 3 : EXTENT OF LICENSED INVESTMENT PURSUED FOR FURTHER IMPLEMENTATION: INDIAN PRIVATE CORPORATE SECTOR 1956-66

Licencee Category	Value (In Rs Crores) of			Extent of Implementability of Licensed Investment	
	Proposed (Licensed) Investment on Imported Machinery	Capital Goods Import Licences		Desired	Approved
		Applied For	Approved	Percentage of Column 3 to Column 2	Percentage of Column 4 to Column 2
1	2	3	4	5	6
(1) Private Corporate Sector	1617	903	638	55.8	39.4
(2) Small and Medium Unaffiliated Companies	573	285	207	49.8	36.1
(3) 73 Large Houses	899	544	386	60.5	42.9
(4) 20 Larger Houses	662	371	258	56.0	38.9
(5) Tata	124	43	33	34.7	26.6
(6) Birla	192	148	99	77.0	51.5
(7) Mafatlal	17	8.5	8.5	50.0	50.0
(8) Sri Ram	42	12	7	28.5	16.6
(9) Kirloskar	14	11	11	78.6	78.6

Note : Here it is assumed that the value of licensed investment on imported machinery is uniformly spread over total licensed investment.

Source : ILPIC Report, Appendices, Vol III, Appendix III-A(i) and III-A(3).

capital's capacity to reverse investment decisions voluntarily is almost absent.

The empirical nature of reversibility is now examined in relation to possibilities of postponement, modification or cancellation of investment decisions.

(i) Licensing: Postponement of investment decisions after a letter of intent/industrial licence has been obtained is indicated by evidence on (a) keeping licences completely unimplemented over long periods of time, (b) partial implementation of licences even long after the grant of the licence, and (c) delay in starting to implement a licence. Ample evidence for each of these possibilities is provided in the ILPIC Report.[3]

Modification of licences is indicated by (a) the shift in location, (b) transfer of a licence to another company within the house, and (c) by the splitting up of a large packet project licensed in the name of one house company into separate specific projects to be implemented by different companies within the house. Some examples of the first two types of modification are given in Table 2. The third type of modification is illustrated by the chemical project of Mafatlal, the initial licence for which was obtained in the name of Standard Mills, transferred to the name of NOCIL, but then revoked. Subsequently this project was implemented through four separate licences obtained by NOCIL, Polyolefins, Standard Mills and Indian Dyestuff Industries.

Revocation, cancellation or surrender of an industrial licence or the non-conversion of a letter of intent into an industrial licence are cases of cancellation of investment decisions taken at the licensing stage. Such cancellation may occur at any particular stage of the investment process, whether before or after other specific investment decisions have been taken.

A quantitative estimate of the actual extent of reversal of investment decisions subsequent to licensing has also been attempted here. It may be pointed out that this is perhaps the first attempt at such quantitative estimate. This estimate would be indicative of the degree of pre-emption of licensed investment. The estimate is based on data provided by the ILPIC Report and measures the extent of licensed investment proceeding to a subsequent stage of investment implementation, i e, applications for CG import licences. Two alternative estimates have been provided depending on alternative set of assumptions. Table 3 gives the details of the estimates as well as the methodology of estimation. The results are summarised below:

EXTENT OF NON-IMPLEMENTATION OF LICENSED INVESTMENT OF INDIAN MONOPOLY

(Percentages)

	Indicator 1	Indicator 2
Top 20 Business Groups	44	61
Tata	66	73
Birla	19	49
Mafatlal	50	53
Sri Ram	71	83
Kirloskar	21	21

Note: See Table 3 for details.

TABLE 4 : CHANGE OF FOREIGN PARTICIPATION IN CAPITAL ISSUE CONSENTS: SELECTED INDUSTRIAL HOUSES

House/ Enterprise	Industry	Foreign Collaborator/ Participant	Year/Date of Collaboration Approval	Sequence of Consent	Date of Consent	Details of Capital Issue Consent					
						Equity			Preference		
						Amount (Rs lakhs)	Foreign Share (Rs lakhs)	Percentage Foreign Share	Amount (Rs lakhs)	Foreign Share (Rs lakhs)	Percentage Foreign Share
1	2	3	4	5	6	7	8	9	10	11	12
Tata											
(1) Tata, Merlin and Gerin	Electrical Control and Switchgear	Merlin and Gerin (France)	January-March 1964	(a) Initial Consent	18.7.64	70.00	8.75	12.50	—	—	—
				(b) First Change	28.10.65	110.00	13.75	12.50	—	—	—
				(c) Second Change	11.4.66	95.00	11.875	12.50	—	—	—
(2) Tata Yodogawa	CI Steel	(a) Yodogawa Steel (Japan) (b) Nissho Company (Japan)	1966	(a) Initial Consent	24.1.67	220.00	66.00	30.00	—	—	—
				(b) First Change	6.11.68	250.00	66.00	26.40	—	—	—
Birla											
(1) Sirpur Paper	Paper and Pulp	Kimberley-Clark Corporation (USA)	July-September 1961	(a) Initial Consent	7.12.60	218.55	—	—	—	—	—
				(b) First Change	13.10.61	109.28	54.64	50.00	—	—	—
				(c) Second Change	31.8.65	54.64	—	—	—	—	—
(2) Universal Tyres	Auto Tyres and Tubes	Sanperit (Austria)	April-June 1963	(a) Initial Consent	21.1.63	200.00	—	—	50.00	—	—
				(b) First Change	16.7.63	200.00	30.94	15.47	50.00	—	—
				(c) Second Change	27.4.66	125.00	30.94	24.75	50.00	—	—
				(d) Third Change	30.12.66	200.00	48.75	24.37	50.00	—	—
				(e) Fourth Change	11.2.69	58.00	—	—	—	—	—
(3) Dagger-Frost	Broaches	Oswald Frost (West Germany)	Jan-March 1965	(a) Initial Consent	14.4.66	29.00	14.21	49.00	—	—	—
				(b) First Change	7.12.66	29.00	14.21	49.00	8.20	8.18	99.76
(4) Zuari Agro-Chemicals	Fertiliser	(a) Armour and Co (USA)	July-Sept 1965	(a) Initial Consent	29.6.68	1158.75	645.00	55.66	386.25	—	—
		(b) US Steel Corporation (USA)	July-Sept 1970	(b) First Change	31.3.69	1242.75	805.50	64.81	412.50	—	—
(5) Century Enka	Nylon Perlon	(a) Enka (Holland) (b) Glanzstoff Fabriken A G (West-Germany)	Sept-Oct 1965	(a) Initial Consent	18.12.65	200.00	90.00	45.00	50.00	—	—
				(b) First Change	28.1.67	250.00	112.50	45.00	50.00	—	—
(6) High Quality Steels	Special Steels	Samuel Osborne (UK)	October-December 1965	(a) Initial Consent	3.12.65	225.00	53.30	23.68	75.00	—	—
				(b) First Change	9.2.67	300.00	84.00	28.00	100.00	—	—
(7) Bihar Alloy Steel	Alloy and Tool Steels	Unines Schneider (France)	October-December 1965	(a) Initial Consent	21.12.65	450.00	40.00	8.88	150.00	—	—
				(b) First Change	6.9.66	500.00	61.16	12.23	150.00	—	—
				(c) Second Change	3.12.66	525.00	61.16	11.65	175.00	—	—
				(d) Third Change	21.10.67	525.00	71.16	13.55	175.00	—	—
				(e) Fourth Change	7.4.71	700.00	54.60	7.80	100.00	—	—
(8) Indo-Newall Machine Tools	Grinding Machines	Newall Machine Tools (UK)	(a) April-June 1966 (b) January March 1967	(a) Initial Consent	23.2.66	50.00	18.00	36.00	15.00	—	—
				(b) First Change	7.6.67	60.00	27.00	45.00	15.00	—	—

(Continued overleaf)

TABLE 4 (CONTINUED)

1	2	3	4	5	6	7	8	9	10	11	12
Mafatlal											
(1) Indian Dyestuff Industries	Dyes and Intermediates	Subsidiary of Montecatini (Italy)	January-March 1959	(a) Initial Consent	17.3.59	210.00	75.00	35.71	22.50	22.50	100.00
				(b) First Change	11.9.64	60.00	—	—	22.50	22.50	100.00
(2) NOCIL	Organic Petrochemicals	(a) Shell Petroleum (UK)	July-September 1964	(a) Initial Consent	12.8.64	1000.00	334.00	33.40	—	—	—
		(b) Stone and Webster Engg (USA)									
		(c) Bataafse Int Chemie (Holland)		(b) First Change	1.10.65	1200.00	400.00	33.33	—	—	—
		(d) Universal Oil Products (USA)									

Sources : (a) Lists of Foreign Collaboration Approvals in *Journal of Industry and Trade*, Government of India, varicus numbers.

(b) *Quarterly Statistics on the Working of Capital Issues (Control) Act*, Ministry of Finance, Government of India, various numbers.

On the basis of these various estimates, it is possible to say that pre-emption of licensed investment by Indian monopoly is roughly about *double*, i e, 100 per cent more of investment is licensed than it is possible to fully implement. Since licensing is the earliest stage of the investment process and since the costs of obtaining licences are usually low, this high degree of pre-emption is understandable.

(ii) Foreign Collaboration: It is difficult to identify the reversal of specific decisions relating to foreign collaboration. An investment project accompanied by foreign collaboration may be postponed or revoked, but it is difficult to attribute such changes to the factor of collaboration itself. It is easier, however, to identify modifications in foreign collaboration proposals when the foreign equity participation is observed to change over time.

Three investment projects (from the author's case study) were found where though foreign collaboration approval was obtained within 6-9 months of grant of licence, the project was fully implemented with a total lag of 5 years or more from the date of grant of licence. On the basis of published data, it was not possible to investigate the reasons behind such postponement. Nevertheless, the point being established is that an investment project can be/or does get delayed in its implementation despite relatively quick arrangements regarding foreign collaboration. This is possible perhaps because technological progress, process-wise or product-wise, is available to the collaborant over a specified period of time.

Table 4 provides a list of cases belonging to the five selected industrial houses wherein there were one or more modifications in the absolute and/or relative foreign equity participation in the total equity of the company, e g, Sirpur Paper, Universal Tyres, Bihar Alloy Steel, Zuari Agro-Chemicals, etc. These cases have been constructed on the basis of data relating to grant of industrial licences, foreign collaboration approval and consent of capital issue. The conclusion that can be drawn is that decisions relating to foreign collaboration are very much modifiable, even after approval of the collaboration proposal by government.

As regards cancellation of investment decisions accompanied by foreign collaboration, Table 2 lists eleven specific examples of such cancellation relating to the selected houses, e g, Investment Corporation of India's boiler equipment project, DCM's superphosphate project, TELCO's auto forging project, etc.

The extent of revocation or failure of collaboration in the Indian corporate private sector is indicated by a NCAER study[4] which gives the trends in failures of collaboration proposals per Indian enterprise for the period 1960 to 1967. More than 29 per cent of the proposals were infructuous during this period, with the failure rate being concentrated in two years — 43 per cent in 1961 and 41 per cent in 1966. The assumption that can be made from this is that roughly one-fourth of all foreign collaboration approvals do not reach the stage of actual investment.

(iii) Capital Issue: Reversal of decisions relevant here can be considered in relation to consents of capital issue and to actual public issue. On the basis of data given in the "Quarterly Statistics of the Working of Capital Issues (Control) Act", it is possible to construct a time-profile of the rate of utilisation of consents issued in any particular year. By utilisation of consent is meant the amount of consent actually paid-up. The proportion of capital paid-up to the capital consented would give the rate of utilisation.

Table 5 gives the trends in utilisation of capital issue consents for the Indian corporate private sector between 1956 and 1969. For example, the utilisation of consents granted in 1956 reached 50 per cent at the end of 1957, 65 per cent at the end of 1958, but after 10 years, i e, at the end of 1965, the utilisation rate was only 75 per cent. Similarly, for consents granted in 1957, the utilisation rate was 21 per cent at the end of 1957, 42 per cent at the end of 1958, 48 per cent at the end of 1959, 63 per cent at the end of 1963, but remained stagnant at 69 per cent for the four years from 1963 to 1966.

The basic conclusions that can be drawn from Table 5 are: (a) a capital issue consent can be delayed in its utilisation, and (b) nearly 20 to 25 per cent of the total amount of consent granted at any point of time are never utilised. Like industrial licences/letters of intent and foreign collaboration approvals, decisions relating to capital issue are highly reversible.

It is also noticed that individual consents of capital issue are subject to

TABLE 5 : UTILISATION OF CAPITAL ISSUES CONSENT IN THE CORPORATE PRIVATE SECTOR (AS AT DECEMBER OF EACH YEAR)

(Percentages)

Year of Consent	Year of Utilisation													
	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969 (as at 31.3.70)
1956	NA	50.6	65.4	68 3	69.0	69.8	71.1	75.1	75.1	75 1	NA	NA	NA	NA
1957		21.3	42.3	48 1	63.3	63 8	63.9	69.1	69.1	69.1	69.1	NA	NA	NA
1958			33 8	55 9	65.7	68.2	69.4	77.2	77.7	77.8	78.1	78.1	NA	NA
1959				30.0	57.4	70 6	74 4	79.6	80.5	80.6	80.6	80.6	80.6	NA
1960					23.1	49.0	56.3	65.1	77.0	77.7	77 7	77.7	77.7	77.7
1961						23.2	45.1	52.7	54.9	55.6	56.3	56.4	56.4	56.4
1962							48.9	53.9	61.5	63.7	64 3	65.1	65.6	65.6
1963								9.0	31.8	37 8	41.0	44.2	45.9	45.9
1964									13.1	29.6	43.0	45.3	45.6	45.6
1965										21.6	34.7	38.3	41.5	42.3
1966											12.6	27.1	29.2	29.8
1967												14.2	40 0	47.6
1968													33 8	53.0
1969														58.1

Note : (1) Utilisation = Capital paid-up.
(2) Utilisation is expressed in terms of per cent of value of consent paid-up.
(3) Consent for capital issue excludes bonus issue and loans from public financial institutions, but includes equity, preference shares, debentures, foreign loans and loans from non-government sources

Source : Quarterly Statistics of the Working of Capital Issues Control, Government of India, various numbers.

change in specifications, sometimes repeatedly, mainly with regard to the quantum of capital to be issued, the extent of foreign equity participation and the rate of dividend or interest at which the capital is to be issued. The possibilities of modification of decisions regarding potential capital issue, i e, with respect to consents, are hence immense.

However, as regards actual public issue, it is highly unlikely that an investment project would be modified, postponed or cancelled after the public issue. Although no evidence is being provided for this statement, this seems reasonable in view of the late stage at which public issue occurs in the sequence of investment decisions, and because of the high degree of commitment that an issue through prospectus entails to the investing public.

(iv) Capital Goods (CG) Import: It has been established earlier that nearly half of the licensed investment having import content does not reach the stage of application for CG import. This suggests that decisions relating to CG import are relatively definite as compared to decisions regarding licensing, collaboration approval or capital issue consent. Only three clear illustrations of projects which were revoked even after grant of CG licence emerge from the author's case study. These examples are presented in Table 2, i e, the Indo-Newall Machine Tools project, Birla Jute's refractories project and Bharat Commerce's insulators project.

The reversal of decisions after order of imported machinery is likely to be insignificant.

(v) Sanction of Institutional Finance: Some examples of cancellation of projects after sanction can be constructed on the basis of evidence provided at the recent hearings of the Sarkar Commission,[5] e g, High Quality Steels project and CIMMCO's steel forgings project (see Table 2 for details). This suggests that investment decisions are not entirely irreversible after this stage. But the extent of reversal is minimal, since the commitment charge on sanctioned assistance is considerable and because of the possibility of loss of goodwill. Thus an investor is likely to be cautious about obtaining sanction of institutional finance, whenever he is uncertain of implementing the investment project.

(vi) Acquisition of Land: It was suggested earlier that the decision to acquire land is likely to occur in the earlier stages of investment decision-making in the case of relatively small projects with import-content. Table 2 provides examples of three Birla projects which were revoked after acquisition of land as also provisional order of indigenous plant and machinery.

(vii) Order of Indigenous Equipment: Decisions relating to order of indigenous capital equipment are likely to be more reversible than those relating to import of machinery. To some extent this depends on greater technical flexibility of indigenous machinery in comparison with imported machinery and its relatively greater adaptability, both process-wise and product-wise. Table 2 provides details regarding three minor projects which were cancelled even after plant and machinery were partially ordered for and received, possibly from indigenous sources. One was a (Birla) industrial alcohol project, the second was a (Sri Ram) glue and gelatine project and the third was a (Sri Ram) copper rods project. Thus investment proposals are revocable even after order of machinery.

Intermediate Components of an Investment Decision: On the basis of the discussion on the sequence of decisions and their classification in terms of cost and reversibility, it is possible to identify three analytically separable parts of the structure of the Indian monopolist's investment decisions, although some amount of overlapping between the different parts is possible. These three parts correspond to the categories A, B and C of the sequence of investment decisions identified earlier. It needs to be pointed out that this structure is specific to monopoly and does not apply to small capital.

(i) *Investment Intention*: i e, the monopolist's decision to avail of existing opportunities to invest. Decisions relating to identification of an investment opportunity and application for and pursuit of a letter of intent are clearly decisions which fall in this category. Similarly, the decisions relating to application for and pursuit of an industrial licence (as distinguished from a letter of intent) prior to February 1964 also belong here. This component of the investment decision is peculiar to the Indian economy and stems from the existence and actual manner of operation of a licensing system whereby a licence is necessary in order to invest but can be held in reserve for long periods of time without imple-

mentation. These decisions, as has been shown, are highly reversible.

(ii) *Investment Undertaking*: i e, the monopolist's decision to proceed further in the investment process without full commitment to completion of the investment project. The decisions at this stage are clearly reversible, but less so than those at the stage of investment intentions. Examples of such decisions are given in category B of the sequence of investment decisions suggested earlier, e g, exploration of sources of foreign collaboration; negotiations for capital goods import and large financial assistance; and application for and pursuit of collaboration approval and capital issue consent.

(iii) *Investment Implementation*: i e, the decision to actually embark on the physical implementation of a project and complete it. Application for and obtaining of the CG import licence; finalisation of agreements relating to collaboration, machinery import and sanction of assistance from public financial institutions; conversion of a letter of intent into an industrial licence; the final order of imported and/or indigenous capital goods; and the start of construction: these are the steps which represent the decisions of investment implementation. There is a certain irrevocability about such decisions, and although some evidence has been provided to the contrary, the revocability is clearly of a low order.

This structure of investment decisions is specific to a mixed economy like India. For example, investment intention as a distinct component of the monopolist's investment decision cannot be easily identified in an US-type economy. A giant corporation which only intends to invest in fixed capital but cannot ultimately decide to, runs the risk of losing its potential market share. Practices like reservation of sources of supply of critical raw materials and technology do prevail in the USA. Nevertheless, oligopolistic competition proceeds mainly through actual additions to the individual oligopolist's stock of fixed capital, rather than through the holding of investment intentions.

Similarly, what distinguishes this structure of investment decisions is the immense possibility of reversal of investment decisions at different stages of the investment process. In an US-type economy, the rules of oligopolistic competition allow little scope for reversal of investment decisions. In India, however, the actual operation of government regulation, which facilitates preemption, is responsible for the high degree of reversal of investment decisions. In other words, the opportunity costs of reversal of investment decisions are considerably lower for Indian monopoly than it is, say, for American monopoly. This point shall be examined more closely subsequently.

Correspondence between Different Components of the Investment Process: It was suggested earlier that the actual extent of reversibility of the intermediate investment decisions determines the degree of correspondence between the different components of the investment process.

To recapitulate the broad empirical results established so far:

(i) about half the volume of licensed investment reaches the stage of applications for CG licence in any given period,

(ii) nearly one-fourth of the number of foreign collaboration approvals are failures and do not proceed further in the investment process,

(iii) nearly one-fifth to one-fourth of the value of capital issue consents is not utilised through actual public issue subsequently, and

(iv) a small, undefined, fraction of CG licences issued are not utilised, and a negligible proportion of orders for indigenous capital equipment are revoked.

On the basis of these results and the identification of the component parts of the structure of investment, it is possible to suggest the nature of relations between the different components of the investment process. Two aspects of the relations derived require to be stressed. First, the relations are indicative rather than precise. Secondly, although equality relations are used for purposes of formal argument, the relations are nevertheless in the nature of approximations.

Let I_t = volume of investment intentions at time t;

$U_t + \alpha$ = volume of investment — undertaking decisions in period $t+\alpha$ where α is the lag between I and U;

$M_{t+\alpha+\lambda}$ = volume of investment — plementation decisions in the subsequent period $t+\alpha+\lambda$, where λ is the lag between U and M; and

$F_{t+\alpha+\lambda+\gamma}$ = volume of realised investment at time $t+\alpha+\lambda+\gamma$ where γ is the lag between M and F.

Then, it follows:

Relation 1:

$$M_{t+\alpha+\lambda} = \tfrac{1}{2}.I_t$$

This relation is obtained from empirical result (i), on the assumption that licensing of investment relates to investment intention whereas applications for CG licence relate to investment implementation and also the assumption that pre-emption of licensed investment is uniform over time.

Relation 2:

$$F_{t+\alpha+\lambda+\gamma} = \tfrac{3}{4}.U_{t+\alpha}$$

This relation is obtained from empirical result (ii), on the assumption that the remaining three-fourths of the collaboration approvals fructify into actual investment. A further assumption here is that the volume of decisions regarding investment undertaking can be represented by the number of collaboration approvals; this assumption is necessitated by the absence of data on the value of proposed investment corresponding to the collaboration approvals.

Relation 3:

$$M_{t+\alpha+\lambda} = 4/5.\ U_{t+\alpha}$$

This relation is based on empirical result (iii), and on the identification of consents for capital issue as investment undertaking and actual issue of capital as investment implementation. The choice of co-efficient 4/5 rather than 3/4 will become clear soon.

Relation 4:

$$F_{t+\alpha+\lambda+\gamma} < M_{t+\alpha+\lambda}$$

This relation is based on empirical result (iv).

From Relations 2 and 3 it follows:

Relation 5:

$$F_{t+\alpha+\lambda+\gamma} = 5/4.\ \tfrac{3}{4}M_{t+\alpha+\lambda} = 15/16.\ M_{t+\alpha+\lambda}$$

Relation 5 is consistent with Relation 4. The choice of the co-efficient 4/5 in Relation 3 makes this consistency possible. Any co-efficient having a value of 3/4 or less would imply $F_{t+\alpha+\lambda+\gamma} \geqslant M_{t+\alpha+\lambda}$ which would contradict Relation 4. Substituting Relation 1 in Relation 5, it further follows:

Relation 6:

$$F_{t+\alpha+\lambda+\gamma} = 15/16.\ \tfrac{1}{2}\ I_t = 15/32.I_t$$

This relation indicates that monopoly licences more than double the volume of investment it implements in a subsequent period. This is indicative of the extent of pre-emption.

Relations 6, 2 and 5 above indicate the proportion of decisions regarding investment intention, investment undertaking and investment implementation that fructify into actual investment in subsequent periods.*

* These Relations 6, 2, and 5 can serve the function of what has been termed as "anticipatory data". On the basis of these relations and also the empirical nature of time-lags between different components of the investment process, it would be possible to *predict* the time-profile of monopoly's future investment given *current indicators* of the respective volumes of different components of monopoly's investment decisions.[6]

Having examined the structure of Indian monopoly's investment decisions in some details, the question that now arises is: what are the factors that lead to the existence and emergence of such a structure of investment decisions? This question is examined in Section II.

Appendix A

Nature of Sample of Selected Industrial Houses

This note explains the nature of the samples of the houses of Tata, Birla, Mafatlal, Sri Ram and Kirloskar, used in this study for purposes of balance sheet data.

(1) *Source*: The source of data for the five selected houses, relating to the balance sheet and profit and loss items, is the Official Directory of the Bombay Stock Exchange. This Directory collects information on those public limited companies listed in all the stock exchanges in the country. The information is culled from the respective Annual Reports of the listed companies. Except for printing errors, the Directory is authentic and an authoritative source of information. The printing errors were sought to be removed through cross-checking of different balance sheet and profit and loss items, based on the principles of accounting.

(2) *Composition of Sample*: The composition of industrial houses used in this study is in terms of the ILPIC's composition of the first-tier companies of the industrial houses, between 1956 and 1966. Since the time-series of the sample related to 1955-56 to 1969-70, some additions were made to the ILPIC composition regarding recognised house companies which were incorporated or acquired by the house after 1966 (e g, Znari Agro Chemicals for Birla and Tata — Yodogawa for Tata). From this total list of companies belonging to the selected houses, those which were listed in the Directory of the Bombay Stock Exchange were considered. Only public limited companies are listed, so privately limited companies were excluded.

(3) *Coverage of Sample*: The sample covered 92 companies in all, 22 companies for Tata, 48 companies for Birla, 9 companies for Mafatlal, 5 companies for Sri Ram and 8 companies for Kirloskar over the time-period 1955-ed in Table A.

The percentage coverage of each of the house samples in terms of the paid-up capital, total assets, sales and net profits before tax for the house as a whole in any particular year, is indicated below:

The source of data for the house totals of Tata, Birla, Mafatlal and Sri Ram is a reply to a Lok Sabha unstarred question (No 7294 which was due for answer on April 17, 1973) and for Kirloskar the source is the ILPIC Report.

(4) *List of Companies*: The list of companies included in the sample is given below:

Name of House/Enterprise

(A) TATA
(1) Andhra Valley Power
(2) Tata Hydro-Electricity
(3) Tata Power
(4) Ahmedabad Advance
(5) Central India Spinning
(6) Gokak Mills
(7) Simplex Mills
(8) Svadeshi Mills
(9) Tata Mills
(10) Scottish India Machine Tools
(11) Invest Engineering
(12) Tata Engg and Loco
(13) Tata Iron and Steel
(14) Tata Yodogawa
(15) Tata Merlin and Gerin
(16) Voltas
(17) Tata Chemicals
(18) Belpahar Refractories
(19) Indian Vegetable Products
(20) Tata Oil Mills
(21) Indian Tube
(22) National Ecko Radio

(B) BIRLA
(1) Ratnakar Shipping
(2) India Steamship
(3) Central India Coal Fields
(4) Western Bengal Coal Fields
(5) Birla Cotton Spinning and Weaving
(6) Jayshree Textiles
(7) New Swadeshi Mills of Ahmedabad
(8) Sutlej Cotton
(9) Jiyajeerao Cotton
(10) Century Spinning
(11) Kesoram Industries
(12) Soorah Jute
(13) Bally Jute
(14) Rameshwara Jute
(15) Birla Jute
(16) Indian Rayon
(17) Sirsilk
(18) Century Enka
(19) Gwalior Rayon and Silk
(20) Shree Digvijay Woollen
(21) Mysore Cement
(22) Orient Paper
(23) Sirpur Paper
(24) TEXMACO
(25) CIMMCO
(26) Electric Construction and Equipment
(27) Orient General Industries
(28) Universal Electrics
(29) Hyderabad Allwyn
(30) Hind Cycles
(31) Hindustan Motors
(32) Hindustan Aluminium
(33) Indian Tool Manufacturers
(34) National Engineering Industries
(35) Hindustan Gas and Industries
(36) Universal Cables
(37) Zenith Steel Pipes
(38) Gobind Sugar Mills
(39) New Swadeshi Sugar Mills
(40) Upper Ganges Sugar Mills
(41) Oudh Sugar Mills
(42) C and E Morton
(43) India Linoleum
(44) India Plastics
(45) Kusum Products
(46) Tungabhadra Industries
(47) Jayashree Tea and Industries
(48) Zuari Agro-Chemicals

(C) MAFATLAL
(1) Ahmedabad Jupiter
(2) New Shorrock Spinning
(3) Sassoon Spinning and Mafg
(4) Mafatlal Fine Spinning
(5) Standard Mills
(6) Indian Dyestuff Industries
(7) National Organic Chemicals
(8) Polyolefin Industries
(9) Phalton Sugar Works

(D) SRI RAM
(1) Delhi Cloth Mills
(2) Jay Engineering
(3) Bengal Potteries
(4) Sri Ram Bearings
(5) Sri Ram Refrigerations

TABLE A

(in Rs Crores)

House	Year	Paid-up Capital	Total Assets	Sales	Net Profits Before Tax
(A) TATA					
(1) House Total	1969-70	142.2	661.2	556.2	32.8
(2) Author's Sample	1969-70	116.7	543.0	514.0	32.3
(3) Coverage (per cent)		82.8	82.1	92.4	98.6
(B) BIRLA					
(1) House Total	1969-70	135.5	647.0	633.5	51.6
(2) Author's Sample	1969-70	107.2	538.9	535.1	46.6
(3) Coverage (per cent)		79.9	83.3	84.5	90.3
(C) MAFATLAL					
(1) House Total	1970-71	33.7	172.4	165.1	11.8
(2) Author's Sample	1969-70	27.6	139.0	121.8	9.5
(3) Coverage (per cent)		81.9	80.6	73.7	80.5
(D) SRI RAM					
(1) House Total	1969-70	16.5	134.7	144.8	9.5
(2) Author's Sample	1969-70	16.1	105.0	138.5	9.0
(3) Coverage (per cent)		97.5	77.9	95.6	95.2
(E) KIRLOSKAR					
(1) House Total	1966	9.7	43.0		
(2) Author's Sample	1965-66	9.2	42.7		
(3) Coverage (per cent)		94.1	99.3		

(E) KIRLOSKAR
(1) Kirloskar Cummins
(2) Kirloskar Oil Engines
(3) Kirloskar Pneumatic
(4) Bharat Forge
(5) Kirloskar Brothers
(6) Mysore Kirloskar
(7) Shivaji Works
(8) Kirloskar Electric

Appendix B

Time-Phasing of Licensed Investment: Methodology and Sources of Data

(I) METHODOLOGY

The existing material on the utilisation of licences or on time-lags in investment implementation is so aggregative, that little is known about how precisely the alternative investment intentions of an industrial house are phased out over time, or what is the nature of time-lags between different intermediate investment decisions.

With the purpose of obtaining a clearer understanding of these aspects of fixed investment behaviour, a somewhat detailed study of the time-phasing of investment licensed by the houses of Tata, Birla, Mafatlal, Sri Ram and Kirloskar, was undertaken. This study was based entirely on published material, without recourse to questionnaires of any sort.

Information on all licences/letters of intent granted to these houses between 1955 and 1972 was first sought to be collected. These licences/letters of intent were then pursued over the different stages of investment implementation, until the investment project was completed or the licence/letter of intent was revoked. The different intermediate stages of investment over which the licences were pursued, are: shift in location; transfer of ownership of the licence; government's approval of foreign collaboration proposal; grant of consent for capital issue by the Controller of Capital Issues; conversion of a letter of intent into an industrial licence; sanction and disbursal of financial assistance by the different public financial institutions; grant of capital goods import licence by the government; issue of capital to the public; acquisition of land; start of construction; and the phasing out in the actual installation of the licensed capacity.

Although an attempt was made to have a census of all licences/letters of intent granted to the selected houses, this was not possible for lack of information in certain cases. Similarly, information on the details of utilisation of the licences, especially regarding the timing of specific decisions, was not available for all the licences. Nevertheless, the coverage of the information collected in large, especially in the case of Birla and Mafatlal, accounting for more than 80 per cent of all licences/letters of intent granted to these houses during the period 1955-72.

(II) SOURCES OF DATA

The composition of the selected industrial houses is in terms of the first-tier companies of the industrial houses as identified by the ILPIC Report. The sources of data regarding the specific stages of the investment process, were as follows :

(1) *Licensing*: Information on the licence/letter of intent granted was collected from the lists of industrial licences published periodically in the *Journal of Industry and Trade* (Ministry of Industry, Government of India). The information so collected related to (i) name of the licencee; (ii) date of grant of licence/letter of intent; (iii) product and annual capacity licensed; (iv) the type of the investment (substantial expansion, new article or new undertaking); (v) the location of the project; (vi) date of transfer of a licence/letter of intent and the name of the new licencee; (vii) shift in location; (viii) date of conversion of the letter of intent into an industrial licence; (ix) date of revocation/surrender of a licence; and (x) progress report on licence implementation. Information on the value of each investment licensed was not available.

(2) *Foreign Collaboration Approval*: Information on government's approval of foreign collaboration proposal was obtained from the periodical lists of collaboration approvals published in the *Journal of Industry and Trade* and the *Indian Trade Journal*. The information related to (i) name of the Indian collaborator; (ii) name of the foreign collaborator/s; (iii) the industry of collaboration; and (iv) the date of approval.

(3) *Capital Issue Consent*: Information on the consent granted by the Controller of Capital Issues for issue of share capital, debentures and foreign loans by any enterprise, was obtained from the *Quarterly Statistics on the Working of the Capital Issues (Control) Act* (Ministry of Finance, Government of India). The information related to (i) the name of the consentee; (ii) the industry of consent; (iii) the type of consent (equity, preference shares, debentures and loans); (iv) the amount consented; (v) the non-resident participation in the issue; and (vi) subsequent changes in the consent, where relevant.

(4) *Sanction of Institutional Finance*: Information on the details of the sanction and disbursement of financial assistance given by different public financial institutions, were obtained from their Annual Reports and also from the recent public hearings of the Commission of Inquiry into Large Industrial Houses (popularly known as the Sarkar Commission).

(5) *Capital Goods Import Licence* Details of the capital goods import licences granted by the government, were obtained from the *Weekly Bulletin of Import Licences, Export Licences and Industrial Licences* (Ministry of Industry, Government of India). The information related to (i) the name of the licencee, (ii) the date of the licence; and (iii) the nature of the machinery import, in terms of its value and source of import.

(6) *Actual Investment Implementation*: Information relating to the other aspects of investment implementation such as acquisition of land, start of construction and completion of the project were obtained from the Annual Reports of the respective companies (available with the Department of Company Law), the Bombay Stock Exchange Directory's abstracts on the working of different companies and the Annual Reports of the Directorate General of Technical Development.

Notes

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1 ILPIC Report, Main Report, p 63, Section 4.54.

2 The licensing authorities' use of discretionary power in favour of the larger industrial houses has been revealed through their different practices, e g, their early intimation of impending licensing to an applicant, inadequate scrutiny and/or expeditious disposal of licence applications, "on file" decisions without going through the Licensing Committee, reversal of earlier decisions, etc. See ILPIC Report, Main Report, pp 64-74.

3 ILPIC Report, Main Report, Chapter V.

4 "Foreign Technology and Investment", NCAER, New Delhi, 1971, pp 30-33 and Tables 57 and 58.

5 Commission of Inquiry into Large Industrial Houses (Chairman: A K Sarkar), popularly known as the Sarkar Commission. 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, pp 131-132.

6 See for an alternative approach, Samuel Paul, "Experiments in Short-term Investment Forecasting", Review of Management, *Economic and Political Weekly*, February 26, 1972, pp M-15 to M-22.

By-Product of a Plural Economy

A Note on the Politics of the Lost Indian in Malaysia

Jawid Laiq

In Malaysia, as in other former colonies like Sri Lanka, the pattern of physical and occupational separation between the races is a direct consequence of the plural economy and society created by colonial rule.

The effort to remove racial economic imbalances has concentrated on the uplift of the Malays. Impoverished Indians and Chinese have generally been left out of these economic development programmes. The poor Indians, in particular, have not had enough political leverage to draw the attention of the government to their economic condition.

With an Indian 'rentier' class unable to employ him and with the Chinese capitalists and the Malay ruling class unconcerned about him, the Indian labourer, politically unorganised and, therefore, powerless, is the lost man of Malaysia.

MALAYSIA's exports during the mid-1960s amounted to about 50 per cent of its gross domestic product.[1] The comparable figure for India was less than four per cent.[2] This shows the extent to which the Malaysian economy has been (and continues to be) dependent on its export sector. Rubber and tin formed around 60 per cent of Malaysia's total exports between 1957 and 1967.[3] This meant that its economy's stability was greatly dependent on the world demand for rubber and tin. During the Korean War from 1950 to 1953 the high prices offered for rubber and tin on the international market led to a 'boom' in the Malayan economy.

After the end of the Korean War, the prices of rubber — Malaysia's leading export item — continued to decline[4] till the recent upsurge which is mainly due to the oil crisis which has pushed up the price of synthetic rubber. The general decline in rubber prices affected the Indian community in particular. The Malays and the Chinese were not directly affected. The reason for this concentrated effect on Indians (80 per cent of them are Tamil-speaking) has been the compartmentalised economic structure of Malaysia which has physically separated its three major races.

Indian indentured or bonded labour was brought into Malaya by the British colonial authorities to clear the jungle and develop rubber plantations.[5] The Chinese did not come as indentured labourers but as small traders or as workers in tin mines. The Chinese traders formed their *kongsis* or commercial societies at convenient trading posts, some of which later grew into towns. Other Chinese established themselves in small communities near the mining areas. During the Japanese occupation, 1942 to 1945, a large number of Chinese in order to get away from Japanese oppression became 'squatters' on uninhabited jungle land where they cleared patches of jungle and eked out a living as subsistence farmers. These 'squatters' proved to be the main source of support and supplies for the communist guerilla movement which began in 1948. To deny the communist guerillas, the majority of whom were Chinese, any access to the Chinese squatters, a major regroupment of squatters into new villages was successfully carried out by British military force; 580,000 rural dwellers, predominantly Chinese, were resettled in 580 new villages.[6] The Malays were left largely undisturbed during the period of colonial rule to continue their paddy farming and live in their traditional villages or *kampongs*.

This short sketch illustrates the predominance of each of the three races in certain occupational groups and also in separate geographical zones. Thus, in 1957 62 per cent of the Indian population lived in rural areas. Of the rural Indian population about 50 per cent lived on rubber estates. 38 per cent of the total number of Indians lived in urban areas and worked mostly in government and municipal offices or in service industries. In 1957, 87 per cent of the Malays lived in the countryside and in concentrations of less than 5,000 people. Of the 998,000 economically active Malays 76 per cent were employed in the primary occupations of paddy farming, fishing, mining and forestry. In contrast, 53.2 per cent of the Chinese were urban dwellers and 53.3 per cent of the gainfully employed Chinese worked in the secondary and tertiary sectors of the Malayan economy. Although the proportion of Malays and Indians living in towns had increased since 1957, the overall demographic picture was much the same in 1967.[7]

In Malaysia, as in other former colonies like Sri Lanka, the pattern of physical and occupational separation between the races is a direct consequence of the plural economy and society created by colonial rule. J S Furnivall has defined a plural society as a sectionalised community which "tends to be organised for production rather than for social life; social demand is sectionalised, and within each section of the community the social demand becomes disorganised and ineffective, so that in each section the members are debarred from leading the full life of a citizen in a homogeneous community."[8] Although Furnivall's definition is based on an analysis of Dutch rule in what is now Indonesia, his definition of a plural society is also applicable to Malaysia and, to a lesser degree, to Sri Lanka.

In simpler terms, the recruitment of indentured Indian labour for Ceylon and Malaya and the encouragement of Chinese migration to Malaya was regarded by the British as the best means of exploiting and developing the natural resources of these two territories. The social consequences of the large influx of immigrants were ignored. Right up to 1942, the Malays, the Chinese and the Indians in Malaya were allowed to develop separately in their own compartment of the economy and hence of the 'community'. Very little was attempted by way of building the three disparate elements into a Malayan nation.[9] Even the educational system spread along distinct Malay, Chinese, Tamil and English channels.[10] Only in the English-medium schools did the wealthier children of the three races come together.

It was only after 1948, spurred on by the communist guerilla movement, that a belated but energetic campaign to bind the three groups together was begun.

With Independence in 1957, this 'nation-building' process was accelerated. A common language, Malay, and the removal of economic disparities between the races were the two main pillars of the process advocated by the ruling party, the tri-communal Alliance.

Through such organisations as the Rural Industrial Development Authority (RIDA) and the Majlis A'manah Ra'ayat (MARA or Council for Rural Progress) the Malaysian Government has tried to raise the Malay standard of living, which has been substantially lower than the general level of the Chinese and the Indians. It is estimated that in 1957, 23-25 per cent of the Malayan national income was earned by Malays, 60-63 per cent by Chinese and 10-11 per cent by Indians.[11] In comparison, Malays formed 49 per cent of the total population of Malaya in 1957, Chinese 37 per cent and Indians 11 per cent. The per capita income was estimated to be 359 Malayan dollars (now called ringgits) per annum for the Malays, M$ 691 for the Indians and M$ 848 for the Chinese.[12] These figures do not, of course, show the wide disparities within each race.

The effort to remove racial economic imbalances has been concentrated on the uplift of the Malays. Impoverished Indians and Chinese have generally been left out of these economic development programmes. The poorer Indians, in particular, have not had enough political leverage (being part of the 11 per cent Indian minority) to draw the attention of the government towards their own economic conditions.

The continuous fall of rubber prices after the Korean War had a direct effect on the Indian minority in Malaysia, 66 per cent of the total Indian labour force being employed on estates.[13] The fall in prices led to the fragmentation of estates, resulting in Indian and other workers losing their jobs and having to leave the estates. It was caused by the sale and subsequent sub-division into small plots of rubber estates owned by European companies.[14] These sales were facilitated by speculators who made handsome profits through the sub-division of such properties into small plots which were then re-sold to small-holders, mainly Chinese, who tend and tap the rubber trees themselves.[15]

The exodus of Indians from the estates led to the formation of the National Land Finance Co-operative Society. This Society was formed in 1960 under the initiative of V T Sambanthan, who was the President of the Malaysian Indian Congress (MIC), to "raise funds from the estate workers and to buy rubber estates to combat fragmentation and its attendant evils."[16] The Society was also formed, no doubt, with the intention of strengthening the political position of Sambanthan and the MIC.

The formation of this Society brought the Malaysian Indian Congress into conflict with the National Union of Plantation Workers (NUPW), which felt that the formation of the Land Finance Society was an unwarranted interference in a trade union sphere of interest by a political party, though it had done almost nothing to lessen the despair of the estate workers. While the leaders of the Indian-controlled union and the Malaysian Indian Congress confronted each other, the Federal and state governments maintained a detached attitude to the whole problem. At the state level, the fragmentation problem was considered to be a Federal responsibility while the Federation Government saw this as the concern of the state governments.

The political machinations in the conflict between the Malaysian Indian Congress and the National Union of Plantation Workers, and the tacit refusal of the Federal and state governments to take any firm action, must be examined in closer detail, in order to understand the political implications of what in origin was an economic issue. The MIC and the NUPW were 'concerned' about the social disruption and unemployment caused by the sub-division of estates.[17] Their concern had not, however, reached the stage of avoiding recriminations and joining together to pressurise the various state governments to enact laws which would prevent the fragmentation of estates. Instead P P Narayanan condemned the MIC leadership for "playing safe, which is not always the most progressive way for the Indians".[18] The MIC leadership was very conscious of being at the head of a small minority community which forms 11 per cent of West Malaysia's total population. The consequent lack of political leverage tends to make the MIC leadership very reticent about any move which might alienate the leaders of the United Malays National Organisation (UMNO). This extreme caution expresses itself by brushing aside issues which mainly affect the Indian labourer and are only of marginal significance to the Malays and the Chinese. The President of the MIC went to the extent of saying that Malaysian Indians "have no problems ... due to the record of fair play shown by the Malays".[19] He also condemned the NUPW's attitude as "sheer cussedness". The result of this crossfire is that no concrete demands have been put forward to remedy the fragmentation problem.

Constitutionally, changes in the National Land Code are the responsibility of the state governments,[20] but with no directives from the Federal Government and due to the indecision of the MIC, the state governments were not unduly concerned about the sub-division of estates.[21] It was also felt that there should be no legal bar to the buying and selling of land. Any such move would smack of socialism and would not be in accordance with the 'laissez-faire' economic policies of the Alliance.

Many of the Indians who lost their jobs in the estates moved to the towns. This was in keeping with a general trend in Malaysia of a marked shift in population from rural to urban areas. Between 1947 and 1957 the urban proportion of the population increased from 35.1 per cent to 50.5 per cent.[22] After 1957 also, the movement to the towns continued. Another prominent feature has been the increasing proportion of Malays who have become urban dwellers.[23] This has meant that the towns are no longer substantially Chinese in composition and are becoming more cosmopolitan. It is in the towns that the old pattern of the plural economy divided along racial lines is breaking down. Light industry is being developed on the fringes of the bigger towns, including Kuala Lumpur, Penang, Ipoh, Port Swettenham and Johore Bahru. With the different races living closer together and competing in business and employment, racial tensions can be exacerbated (as happened in 1969).

Reliance on private enterprise as the vehicle for urban industrial development puts the Federation's policy-makers in a quandary; there is no Malay middle class capable of carrying through an industrialisation programme through private enterprise. There is an Indian middle class but its forte is commerce and the civil service, and not industry.

Most of the existing indigenous private enterprise in industry is Chinese, in ownership, management and work force. A policy of industrialisation which relies on indigenous private enterprise must inevitably increase the economic power of the Chinese, either in their capacity as industrial entrepreneurs or as investing capitalists.[24] Most of the jobs created in industry will be filled by Chinese, partly because of the method of recruitment through the Chinese extended family system, and partly because Malays lack the necessary skills and training for industrial work in towns.[25]

If the migration from rural to urban areas proceeds at a faster rate than the availability of jobs in industry, the Malays, unassisted, will lose in the competition for these jobs and herein could lie the ingredients of further racial conflict. It is most unlikely that private enterprise industrialisation will much improve the economic position of the Malays, either in their capacity as industrial capitalists or workers. What is most likely is that the existing classes of Chinese industrial owners and workers will be further enlarged. The logic of unrestrained private enterprise development often "is to enrich those who already possess capital ... the sort of development that will take place will be lopsided and communal — with political consequences that could be dangerous".[26]

Due to this warped development, a part of the class structure has crystallised along ethnic lines. The government's policy-makers seem to be aware of this and part of their solution appears to be an attempt to create a Malay middle class that will eventually be able to carry through an industrialisation programme. The policy is to lay special emphasis on pioneer industries, especially foreign-owned ones, in the belief that they can be controlled more easily, induced to employ a quota of Malays, and part of their capital can be reserved for issue to Malay investors when these materialise.[27] This strategy, however, presupposes that foreign investment can be easily directed and can also be made employment-oriented.

The dilemma of a choice between a Malay dependence on Chinese free enterprise and a Malay reliance on foreign investment is being partly avoided by government investment in public enterprises which are being used as a vehicle for industrialisation. Among the established public enterprises which have developed their own industrial sectors are the Central Electricity Board, Harbour Boards and Trusts (which has created its own big industrial estates at Port Swettenham and Port Dickson) and Malayan Railways.[28]

As already stated, the FLDA and MARA have done much to bring prosperity to Malay farms and 'kampongs'. Apart from bettering the economic condition of the Malay peasant, these two public organisations are indirectly restraining the exodus to the towns.

Thus, the general economic policy followed initially under the overall stewardship of Abdul Rahman and then the closer control of Abdul Razak, has been to give the Chinese businessman and industrialist a free hand while encouraging the foreign investor and public enterprises in improving the economic lot of the Malays.[29] But a group of Young Turks in the UMNO, unofficially led by the then Federal Minister for Information and Broadcasting, Senu bin Abdul Rahman, did believe that nationalisation was the only way to improve the economic condition of the Malays.[30] This group was keen on the idea of and nationalising most forms of private enterprise in industry as well as commerce. Their main targets were the Chinese-owned concerns. This was a curiously mixed-up form of 'socialism', where the main aim was not the uplift of a down-trodden class but the improvement of an entire ethnic group, ignoring the poor among the Chinese and Indian communities. The propounders of this communal socialism, however, did not make much headway.

The Indian middle class does not have any significant role in Chinese private enterprise or in Malay public enterprise. Within the present economic structure the only roles it can adopt is that of small shopkeepers, retailers and wholesale merchants of textiles and other consumer goods, of promoters of service industries like laundering and catering. The Indian middle class is well entrenched in the service sector and there is substantial room for expansion in this corner of the Malaysian economy.

Indians with larger capital reserves have established insurance, banking and other financial companies. A large portion of the reserves of these banking and financial houses have come from Chettiars who have diversified their interests and have generally moved away from their traditional moneylending partnerships. "The Chettiars have diverted their business from moneylending to things like property-ownership, in spite of greater interest rates [in moneylending], as property values are now increasing ... The ownership of property is a safer business than moneylending although the annual returns may not be as great as in moneylending.[31] Moreover, there is an increase in the value of property every year ... These are capital gains, so in the long run property-ownership provides greater returns than moneylending."

The Chettiars in Malaysia are also known to have given large loans to Chinese businessmen which the Chinese used in establishing their own industrial firms. Why did the Chettiars themselves not invest in industry? The answer is prosaic. "Money-lending is safe while investing means risk ... the Chinese gamble while the Chettiars never gamble".[32]

With such an Indian 'rentier' class unable to employ him, with the Chinese capitalists and Malay ruling class unconcerned about him, the Indian labourer, politically unorganised and therefore powerless, is the lost man of Malaysia.

Notes

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Demographic Transition among Parsis: 1881-1971

III—Fertility Trends

Leela Visaria

The Parsis have been a remarkable exception in the general Indian demographic scene. Their fertility and mortality levels have steadily declined over the past century. In fact, their fertility is so low that despite high life expectancy, the number of Parsis has been declining for more than two decades now.

This paper examines the trends in fertility and mortality levels of the Parsis. It examines the transition from high levels of fertility and mortality to low levels and the factors which have brought about this transition. The size and the sex-age composition of the Parsi population are also discussed to facilitate an understanding of the fertility and mortality levels.

The article is published in three parts. The first and second parts discussed the size of the Parsi population, changes in the sex-age composition and the level and trends in mortality. This, the third and concluding, part deals with trends in fertility.

IN spite of the relatively rapid decline in the mortality of the Parsis during 1901-11, 1921-31, and thereafter, their rate of growth has been quite low. During the last two decades, the growth rate has, in fact, been negative. The explanation lies in a significant reduction in the fertility level that has occurred simultaneously with the decline in mortality.

The time trend in the fertility of Parsis can be analysed for nearly a century on the basis of three alternative but complementary estimates. These estimates include: (a) inter-censal birth rates during 1881-1931, estimated by adding the inter-censal growth rate to the death rates shown in Table 3; (b) annual birth rates for Parsis in Bombay (Greater Bombay since 1951) during 1901-70, based on municipal records and believed to be reasonably complete because most Parsi births take place in hospitals;[26] and (c) data on the average parity or the average number of children ever born to Parsi women who were interviewed in Greater Bombay during 1962 under the special fertility survey. The last set of data has the advantage that it permits an examination of the trend in fertility on the basis of the experience of women in successive cohorts.

Estimates of Birth Rates

The estimates of decennial average birth rates presented in Table 4 and annual birth rates presented in Figure 1, show a rather striking and steady transition from a moderately high level of fertility to quite a low level. The birth rate estimated for the period 1881-1901 was about 34 per 1,000 population. Forty years later around 1926, it was only 25, a decline by about one-fourth.[27] (The all-India birth rate during the latter period was 48 per 1,000 population, almost the twice the rate for the Parsis.) The difference between the inter-censal birth rates estimated from the census data and the decennial averages based on the registration data for Bombay is quite small. While the estimates for 1911-21 were identical, the all-India estimates for 1901-11 and 1921-31 were slightly higher than those for Bombay.

The decline in the Parsi birth rate has continued after 1931, as is indicated by the registration data for Bombay. The average birth rate during the 1960s reached about 12 per 1,000 population. In fact, the Parsis have completed their demographic transition so effectively (!) that their birth rate has been lower than the death rate for nearly 20 years now. The rate of decline of the Parsi population has been about one per cent per year but an unquantifiable part of it may be attributable to emigration and/or possible misclassification. The decline is partly due also to the fact that the children of Parsi women married outside the community are considered non-Parsis, although this would be compensated by the inclusion of children born to Parsi males married to non-Parsi women.[27A]

Some Refined Measures of Fertility

The limitation of birth rate as an index of fertility are well known; it is affected by the age composition of the population. I have, therefore, calculated the total fertility rate (TFR) and the gross reproduction rate (GRR). TFR refers to the average number of children that would be born to a cohort of women up to the end of their reproductive period under a situation of no mortality (i e, none of the women dies until the end of the reproductive period). GRR indicates the number of daughters that would replace the mother generation. Of course, a GRR of 1.0 (or unity) does not really ensure full replacement of the generation of mothers because some mothers would die before the end of their reproductive period.

The total fertility and gross reproduction rates for the period up to 1931 can be calculated somewhat indirectly with the help of the mean age of the fertility schedule ($\bar{m}$)[28] and the birth rates estimated from the census age distribution. For the period after the 1931 census, when the age distribution of Parsis is not available to estimate the total fertility or gross reproduction rates, I have used the data provided by the 1962 Survey of the Parsis in Greater Bombay. The estimates from the survey are based on the total number of children ever born to the cohorts of women who had reached the end of their reproductive period.

Women in the age group 65-69 at the time of the survey were in their prime reproductive period (ages 25-34, given the relatively late entry into marriage) around 1921-31, while the next younger cohort 60-64 can be considered in its prime reproductive period during 1926-36, and so on. The average parity of women in the age group 65-69 in 1962 is expected to approximate the total fertility rate for the period 1921-31.[29] On the same basis, one can attempt to estimate the total fertility rate for a period of 20 to 25 years after the 1931 census.[30]

The TFR and GRR values estimated from the census data as well as the survey data are shown in Table 4. It is noteworthy that the total fertility of women in age cohorts 65-69 and 60-64 appears to be very close to that estimated for the inter-censal period 1921-31. Such agreement strengthens the credibility of indirect estimates of GRR from census age data. These relatively refined estimates confirm the century-long process of decline in the fertility of Parsi women.

TABLE 4: ESTIMATED BIRTH RATES, TOTAL FERTILITY RATE AND GROSS REPRODUCTION RATE AMONG THE PARSIS OF THE INDIAN SUBCONTINENT DURING 1881-1931 AND OF BOMBAY, 1901-1970, AND TOTAL FERTILITY RATE (TFR) AND GROSS REPRODUCTION RATE (GRR) ESTIMATED FROM THE 1962 SURVEY DATA

Period	Birth Rates Estimates Based on Census Age Data Indian Subcontinent	Birth Rates Estimates Based on Registration Data Bombay	Estimates Based on Census Data* TFR	Estimates Based on Census Data* GRR	Cohort at the Time of 1962 Survey	Estimates Based on 1962 Greater Bombay Survey as Reported by Women GRR	Estimates Based on 1962 Greater Bombay Survey as Reported by Women TFR
			Estimates for Parsis				
1881-1891	34.3	NA	4.41	2.15			
1891-1901	34.1	NA	4.20	2.03			
1901-1911	28.0	26.1	3.24	1.58			
1911-1921	26.6	26.6	3.11	1.52			
1921-1931	24.9	22.5	2.93	1.43	65-69	2.98	1.45
1931-1941	NA	18.3			60-64	2.74	1.34
1941-1951	NA	15.8			55-59	2.36	1.15
1951-1961	NA	12.5			50-54	2.22	1.08
1961-1970	NA	11.7			45-49	2.01	0.98
					40-44	1.72	0.84
			Estimates for India				
1891-1901	51.6		6.50	3.17			
1901-1911	48.0		6.15	3.00			
1911-1921	49.1		6.27	3.06			
1921-1931	48.0		6.33	3.09			
1931-1941	45.2						
1941-1951	42.6		5.56	2.71			
1951-1961	44.9		6.09	2.97			
1968†	39.0		5.74	2.8			
1969†	38.8		5.53	2.7			

NA = Not Available

* Estimates are based on $\bar{m}$ and births obtained for All-India through forward projection method.

† Estimates based on the data collected under the sample registration scheme in rural India only.

Sources: Same as Table 3.

Between 1881 and 1931 the GRR dropped from 2.15 to 1.43, representing a decline of 33 per cent in fertility in 50 years. From the cohort data for Parsis in Bombay it is clear that this decline has continued. Women who reached the end of their reproductive period around 1961 — the age cohort 45-49 — did not even replace themselves; their GRR was barely one (0.98). The younger cohort in age group 40-44, which had nearly completed its fertility around 1961, had an even lower gross reproduction rate of only about 0.85.

A study of Parsis of Karachi by Elizabeth Gustafson provides some interesting data on the fertility of Parsis in Karachi in 1965.[31] According to this study, the total fertility of ever-married Parsi women in the age group 45-54 was 2.45 (implying a GRR of about 1.2); for the older cohort 55-64, it was 3.78 (GRR $\simeq$ 1.8). These estimates also suggest a substantial decline in the fertility of Parsis. Unfortunately, the data do not show the proportion of single women in the age group 45-54,[32] but if one assumes it to be about 15 per cent, the total fertility of all women in the age group 45-54 would be only about 2.1, implying a GRR barely above unity. The fertility of Parsis in Karachi appears to be very low, though perhaps somewhat higher than that of the Parsis of Greater Bombay.

Factors Responsible for Declining Fertility

The factors responsible for the low fertility of the Parsis can be understood by reference to the proportion of persons who get married and the level of their marital fertility. These two factors determine the overall fertility of any population in which illegitimacy is insignificant or non-existent. Both these factors can be evaluated by comparison with the fertility of Hutterites, members of a small community living in North America,[33] who do not use any contraception and who had the highest recorded marital fertility during 1921-30. An index of the proportion married (denoted symbolically as I_m), developed at the Office of Population Research of Princeton University, indicates the extent to which actual fertility would fall short of the highest

potential level because of non-marriage.[34] A value of 1.00 (unity) would indicate universal marriage between ages 15-49, and can theoretically be attained by a population in which every woman marries at age 15 and remains married up to age 50. Very low mortality during these ages and/or remarriage of widows are also necessary conditions. At the national level, this index has been observed to vary between the high value of 0.91 in Korea during 1935 and a low value of 0.31 in Ireland during 1900. The corresponding figure for India as a whole was 0.88 in 1961. As indicated in Table 5, for the Parsis in the Indian subcontinent, the value of this index declined from an average of 0.80 during 1881-1891 to 0.53 during 1921-1931; and among Parsis in Greater Bombay enumerated by the 1961 and the 1971 censuses, it stood at 0.48 and 0.50, respectively. In other words, because of late marriage or non-marriage the births to Parsi women resident in Greater Bombay in 1961 were only 50 per cent of the number that would have occurred if every woman were married throughout her reproductive period. Since about 1931 the index of marriage (based on currently married) has not fallen much. In part, the trend towards late marriage and non-marriage has been offset by the decline in mortality. The Greater Bombay data for 1961 and 1971, show proportionately fewer widows at each age compared to the earlier period.[35]

The decline in the value of I_m up to 1931 for the Parsis reflects a sharp change in the age of marriage as well as the proportion of women who remained never-married up to or beyond the end of their reproductive period. While in 1881, about 74 per cent of the Parsi girls aged 15-19 in the Indian subcontinent were married, the corresponding percentage was 19 in 1931 and only about 2 per cent in 1961 and 1971 in Greater Bombay. On the other hand, the proportion of women who remained unmarried until the end of the reproductive period (i e, up to reaching ages 45-49) increased from less than one per cent in 1881 and 1891 to nearly 10 per cent during 1931 and to over 18 per cent among the Parsis of Greater Bombay in 1961. This proportion was 17 per cent in 1971. If the 1971 data for Greater Bombay, based on the 20 per cent sample are considered fairly representative, the trend towards a decline in the proportion marrying seems to have been halted.

The shift in the age-pattern of marriage is reflected in the mean age at marriage of Parsi women; it increased from about 19 years around 1881 to 24 years in 1931 and to nearly 27 years in 1961 and 1971. It is, of course, likely that the postponement of marriage to an advanced age increases the chances of one's remaining a bachelor or a spinster. It is important to understand the reasons for delaying marriage or eventual non-marriage. In response to the questions related to reasons for non-marriage, during the 1962 survey, about 51 per cent of the unmarried men in the age group 20-69 reported low income and/or lack of accommodation as the main reason that had "stood in the way of" their getting married. Only 6.1 per cent reported a "dislike of married life" and 3.9 per cent were in that situation out of "consideration for the needs of the mother and/or other relatives." Among unmarried women, 16.7 per cent, disliked married life, and an almost identical proportion reported low income and/or lack of accommodation as the reason for their non-marriage; 11.4 per cent of the spinsters reported a "difficulty in finding a suitable match".[36]

It is sometimes suggested that the average level of education among Parsi women tends to be higher than among Parsi men and that this causes difficulty in finding a "suitable match". However, the 1961 and 1971 census data on the Parsis in Bombay suggest that the number as well as proportion of matriculates as well as degree holders was much higher among men than among women. Pursuit of higher education by members of both sexes would raise the age of marriage but would not necessarily lead to non-marriage altogether, unless the socio-cultural climate is conducive to it. The primary reason for non-marriage as well as late marriage appears to be related to the acceptable minimum standard of amenities for raising a family.

If one considers the fertility of only those who married before the end of their reproductive period, the number of children born to the married Parsi women during 1881-1931 appears to have been stable around 44 to 46 per cent of the number that would have been born if they had reproduced at the rates recorded for married Hutterite women. Thus marital fertility among the Parsis was substantially below the recorded maximum even around 1881. After 1931, it declined further; the 1962 data for Parsi women in Greater Bombay showed marital fertility of the order of only about 26 per cent of the maximum potential.[37]

It is difficult to provide any firm explanations for the low marital fertility observed around 1881. It would be difficult to attain marital fertility that is less than 50 per cent of the Hutterite level without some form of deliberate birth control. The explanations offered for the apparent relatively low fertility of Indian women in general (estimated to be around 60 to 70 per cent of Hutterite level during 1891-1931) include factors such as prolonged lactation, frequent separation of spouses, taboos on sexual intercourse on several ceremonial occasions.[38] The contribution of such factors to the reduction of marital fertility of the Parsi women seems unlikely to be significant. As for the possibility of voluntary control of fertility, the only available evidence is based on the data collected during the 1962 survey. According to the survey data, 96 per cent of women in age group 65-69, 94 per cent of those in ages 60-64 and 55-59, and 89 per cent of those in ages 50-54 and 45-49 reported that they had never practised any contraception or planned any pregnancy.[39] The data cannot be accepted at their face value. It is likely that the respondents did not answer the questions seriously. Perhaps the questions on contraceptive practice were not sufficiently probed and the use of non-mechanical means of birth control, such as coitus interruptus, may have been under-reported. Significantly, however, nearly 33 per cent of the women in the age group 30-34 reported some practice of contraception; this proportion was much higher than for the other segments of the Indian population.[39A]

Literacy and education are observed to be important correlates of not only delayed marriage but also of a reduction in marital fertility in almost all societies. The Parsis have enjoyed almost universal literacy for nearly five to six decades now. Further, the proportion of those educated up to high school has also steadily increased. Out of every 100 Parsi males aged 15 and over, nearly 55 in 1961 and 68 in 1971 were educated at least up to matriculation level. For females, the corresponding figures were 33 and 49 per cent in 1961 and 1971, respectively.[40] According to these data, in recent years higher education has spread faster among Parsi women than among males and therefore the gap between them has been narrowing. In fact, according to the 1971 data for Bombay, the percentage of Parsis educated up to matriculation level or beyond was almost identical among males and females aged 20-24; it was 85.2 and 84.4 per cent, respectively. Such widespread education plays an important role in raising the aspirations of the Parsis about the living standards or the quality of life to be provided to children and thereby in the promotion of the small family ideal. It also encourages a rational view of life, and an awareness and use of contraceptive technology to achieve family limitation. Even though the 1962 survey did not confirm a high level of practice of contraception, it is believed that conscious family limitation is widely prevalent among the Parsis.

Another possible reason for low marital fertility may be mentioned. The 1962 survey data indicated that among the ever-married cohorts, which had completed their fertility, between 13 and 16 per cent of the women did not produce any live birth. (In many other populations the percentage of such women is around 5.) One cannot infer what proportion of childlessness was due to voluntary control, i e, a conscious decision not to have any children, and what proportion was involuntary, i e, due to subfecundity or sterility. If the latter has been the case, it raises questions about the reasons for the high incidence of subfecundity or sterility. One factor which has been alluded to is the prevalence of consanguineous marriages or inbreeding. The survey data indicated that 14.3 per cent of the ever-married women had married their "own blood relations".[41] The incidence of consanguineous marriages among the older cohorts was somewhat higher than among the younger cohorts. The data do not show whether childlessness was higher among those couples who were related to each other than among non-related couples. However, the subject needs to be pursued further.[42]

Thus a decline in the proportion of married women as well as marital fertility has contributed to the remarkable decline in the fertility of Parsis. The product of these two factors, which indicates the level of overall fertility, suggests that the fertility of Parsis dropped from about 37 per cent of the maximum potential of Hutterite level in 1881-91 to about 13 per cent in 1961; a decline of 65 per cent in about 80 years.

On the whole, therefore, the transition among Parsis from moderately high level of fertility to low level appears to have been achieved first by a drop in marital fertility even prior to 1881, then by a shift in nuptiality or marriage patterns between 1881 and 1931; and since 1931 by a slow downward trend in both. Thus, the Malthusian methods of late marriage and/or non-marriage explain only a part of the downward trend in the fertility of the Parsis. The neoMalthusian limitation (low fertility through birth control) appears to have been prevalent among the Parsis even prior to 1881. It is clear that a large segment of the Parsi population in the 19th century had controlled its fertility without recourse to modern contraceptives. Since their mortality was effectively and progressively brought under control in the 19th century, the parents must have been able to perceive the effect of rapidly declining mortality in terms of survival of children. Given the 'Western' outlook of the members of the community and their high level of education, the parents perhaps desired fewer children to whom they would be able to give better opportunities for health, education and advancement in life. In a closely knit community these values became universally accepted and conscious and effective family limitation probably spread.

On an over-view it appears that the reasons for the recent decline in the size of the Parsi population of the subcontinent are a low mortality level matched by even lower fertility level as well as some emigration. These trends have led to very low dependency burden on the community as far as the young are concerned, but the proportion of the elderly in the population has been steadily increasing. Despite the general relative prosperity of the community, the aged have to depend to a great extent on the community charity, and continue to cause concern to the members of the community.

However, even greater concern is expressed about the dwindling size, and whether the community can check the downward trend through some pre-natal measures. Some leading Parsis have attempted to publicise the possibility of a total extinction of the community if the present trends continue into the future. However, if the population continues to decline at the annual rate of one per cent observed during 1951-71, it would reach one-half its present size around the year 2040, and one-fourth of the present size in the year 2110. Its eventual extinction, therefore, appears a distant although a distinct possibility.

Perhaps no great significance would be attached to such a possibility, but a reversal of the recent trends seems to be contingent upon a sharp alteration of the prevailing attitudes and values of Parsi young men and women. For the elderly Parsis or those in positions of leadership, a perpetuation of the separate identity of the community is likely to be a matter of more than sentimental importance. However, there is very little that they can do except perhaps to alter the restrictions relating

TABLE 5: ESTIMATE OF I_f, I_M AND I_g SINGULATE MEAN AGE AT MARRIAGE OF PARSI FEMALES IN INDIAN SUBCONTINENT IN BOMBAY: 1881-1931 AND 1961 AND THOSE BASED ON 1962 SURVEY OF PARSIS IN GREATER BOMBAY

Period	Indian Subcontinent				Bombay City			
	I_f	I_m	I_g	SMAM	If	Im^*	Ig^{**}	SMAM
1881-1891	37	.79	.46	19.13				
1891-1901	.35	.68	.52	22.06		.62		22.56
1901-1911	.27	.58	.46	24.21	.25	.54	.46	24.87
1911-1921	.25	.56	.44	24.44	.24	.55	.44	24.94
1921-1931	.24	.53	.45	24.43	.20	.55	.37	24.62
1961					.12	.48	.26	26.74
1971					.13	.50	.26	26.57

Cohort	Estimates Based on 1962 Survey Data			
	If	Im	Ig	SMAM
65-69	.24	.60	.40	22.52
60-64	.22	.57	.38	23.35
55-59	.19	.52	.37	23.73
50-54	.18	.50	.35	24.18
45-49	.16	.53	.31	24.18
40-44	.14	.50	.28	24.36

I^f = Index of overall fertility
I_g = Index of marital fertility
I_m = Index of proportion married
($I_f = I_m I_g$)

SMAM = Singulate mean age at marriage

* Martial status data for Bombay City in 1881 are not known, hence I_M for 1881-1891 could not be calculated.

** Annual births are known for the period 1901 onwards, hence no I_g values for the period 1881-1891 and 1891-1901.

Source : Leela Visaria. "Religious and Regional Differences in Mortality and Fertility in the Indian Subcontinent", Ph D Thesis submitted to Princeton University, March 1972. Unpublished.

to religious affiliations of the children born to Parsi women married to non-Parsis and to accept new converts to the faith. The possible impact of the latter measure is unlikely to be significant in view of the general trends toward a secular society in which religious rituals are found highly unattractive.

Another possible way of restoring some growth is by encouraging the young men and women to enter into marriage at an early age. A modest rise in the proportion of women marrying or some decline in the mean age at marriage might contribute to increasing the birth rate. In fact, in designing the 1962 survey schedules canvassed among the Parsis in Greater Bombay, the main objective was to understand the reasons for the increasing proportions of 'never married' persons among the Parsis. A variety of reasons such as financial problems, need to care for aged parents, non-availability of "suitable match", problems of living accommodation were put forward by young men and women as causing postponement of marriage. This knowledge of factors which lead to postponement and/or avoidance of marriage might help the community members to take remedial measures. The continuing trend towards increase in age at marriage of women and the proportion of women remaining single until the end of their reproductive period appears to have been halted between 1961 and 1971. This could be due to sampling errors in our 1971 census data, but if it is true, then the appeals and/or remedial measures of the community leaders seem to have some effect. Whether the age at marriage will actually decline or not in the future remains to be seen. An even more important determinant of the future trends in the size of the Parsi population would be the fertility of Parsi women who marry within the community.

Notes

26 For several decades now, the Panchayat has been collecting data on births from municipal records. However, in recent years, the Bombay Municipal Corporation has not been tabulating births by religious community. So the Panchayat appoints someone to go and collect information from the ward offices. It is possible, therefore, that some births are omitted or escape the attention of the recorders, although the error of omission is believed to be negligible.

27 The Government of India had set the target of birth rate of 25 for the Indian population to be attained by 1981. However, under the Fifth Five-Year Plan, the new target has been set at 30 birth rate to be obtained by 1980.

27A The number of marriages in which one spouse was non-Parsi increased from 3 such marriages per 100 marriages in 1950-1952 to nearly 11 per cent in 1968-1970. In recent years, the number of Parsi females marrying outside the community has tended to exceed that of Parsi males marrying non-Parsi females.

28 The mean age of the fertility schedule indicates whether fertility starts early or late among women in child-bearing ages. In the absence of data on the age pattern of fertility, the mean age of the fertility schedule can be estimated indirectly on the assumption that marital fertility follows a standard pattern. The standard fertility schedule for ages 20-49 is based on the average experience of a number of populations in which little or no birth control is practised. Since the censuses of the subcontinent have tabulated marital status by age, the age pattern of fertility can be calculated by multiplying the standard marital fertility schedule by the proportions of married women in each age group. For an extended discussion of the standard fertility schedule see: UN Manual IV, *op cit*, p 24.

29 Admittedly, the data pertain to the reproductive history of only those women who have survived to advanced age of 60 to 69. This might introduce an element of bias in the sense that their reproductive history might be different from that of those who did not live up to this age. However, according to the life table for 1960-62, 79 per cent of females are expected to live to age 65, so the bias, if any, is believed to be very small.

30 According to an analysis of the births that occurred during March 1, 1960 to February 29, 1962 in the Parsi General Hospital and the Parsi Lying-in Hospital in Bombay, none of the mothers was in the age group 40 and over. Quite probably, therefore, the effective reproductive period of the Parsi women ends by age 40.

31 Elizabeth B Gustafson, "A Demographic Dilemma : The Parsis of Karachi", *Social Biology*, Vol 16, No 2, July 1969, pp 115-127.

32 Data for marital status were presented in very broad age groups. Gustafson reported 21 per cent of the women in the age group 35-50 to be single.

33 For an account of the demography of Hutterites see: J W Eaton and A V Mayer "Man's Capacity to Reproduce: The Demography of a Unique Population", *Human Biology*, Vol 25, No 3, 1954.

34 Similarly, indices of marital fertility (I_g) and overall fertility (product of index of proportion married and index of marital fertility) (I^f), to which reference will be made later, can be calculated. For a discussion of the indices see: Ansley J Coale, "Factors Associated with the Development of Low Fertility: An Historic Summary", in United Nations, Department of Economic and Social Affairs, Proceedings of the World Population Conference, Belgrade, 30 August-10, September 1965, Vol II, New York: United Nations, 1967, pp 205-209.

35 Among the ever-marrying women, the proportion widowed and divorced during 1931, 1961 and 1971 in Greater Bombay was as follows:

Age	1931	1961	(per cent) 1971
20-24	1.9	2.5	—
25-29	3.3	1.8	0.5
30-34	5.1	3.6	4.0
35-39	12.1	4.8	3.2
40-44	17.0	7.6	5.4
45-49	31.5	13.8	10.4

36 Census of India, 1961, Vol X, Part X(1-D), *op cit*, p 22. The report does not show the total number of respondents to the relevant question.

37 The lowest marital fertility on record for any nation is that of 24 per cent of the maximum Hutterite rate for Sweden and Bulgaria in 1960. But both these countries attained this level in marital fertility when their index of proportion married (I_m) was above .60.

38 For an extended discussion see: Leela Visaria, *op cit*, Chapter IV.

39 Census of India, 1961, Parsis of Greater Bombay, *op cit*, p 25.

39A The percentage of Indian married women in the age group 15-44 using contraceptives was estimated to be 8.0 in 1969 and 13.6 in 1973. (According to the 1962 survey, the corresponding figure for Parsi women was 25.5 per cent.) The proportion using contraception in urban areas alone would, however, be higher than the all-India average. Source for figures for India: International Bank for Reconstruction and Development, "Population Policy and Economic Development", Baltimore, The Johns Hopkins University Press, 1974, p 196.

40 For the total population of Greater Bombay, only 20 and 73 per cent of the males and females, respectively, had received education up and beyond matriculation level in 1961. Similar proportions based on 1971 census are not yet available.

41 Marrying a person of "one's own blood relations" meant marrying relations as close as 'own mother's brother's or sister's son', 'own father's brother's son', 'own mother's father's sister's son', etc. See: Census of India, 1961, Parsis of Greater Bombay, pp 23-24.

42 One possible means of studying this subject might be a comparative study of Parsis having non-Parsi spouses. The requisite field study deserves serious consideration.



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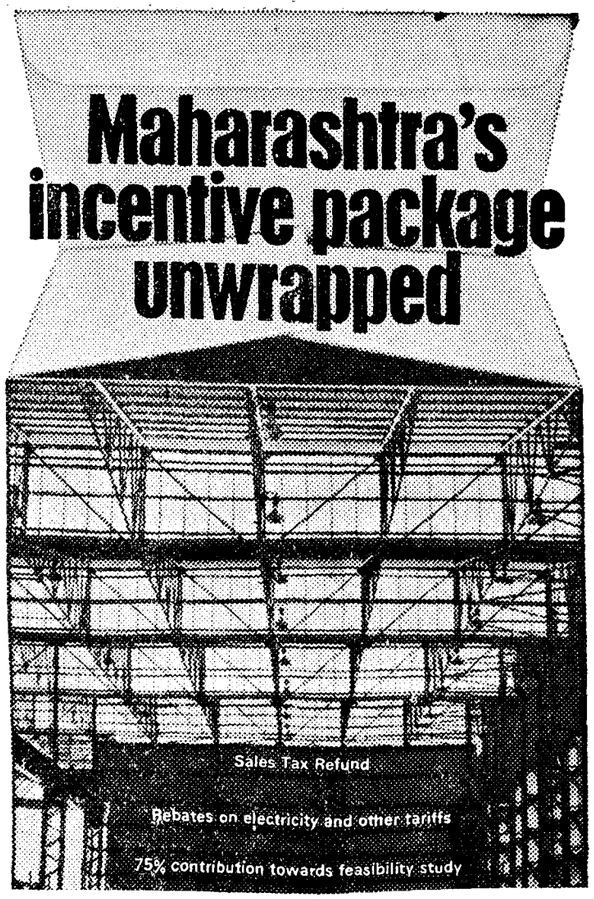
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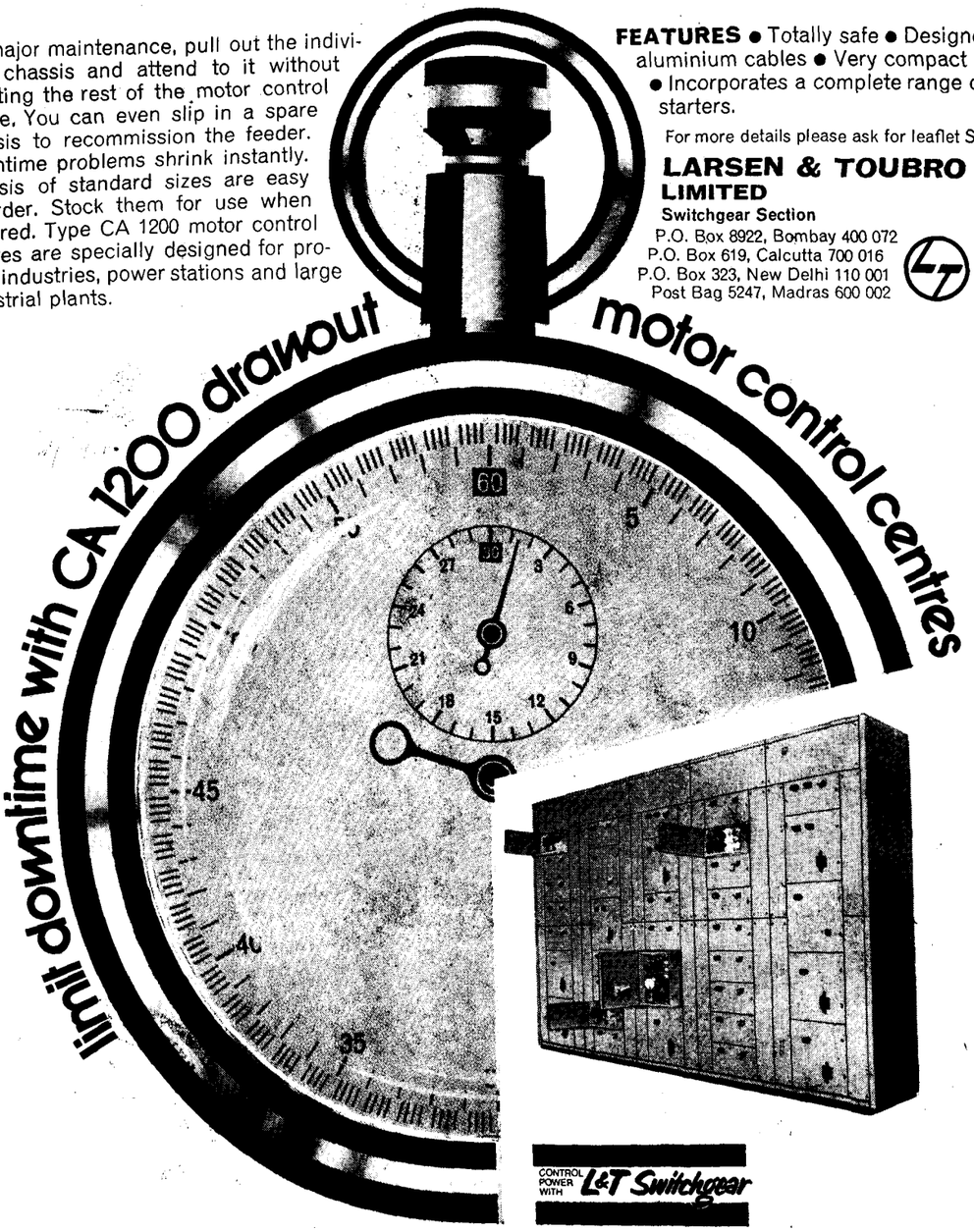
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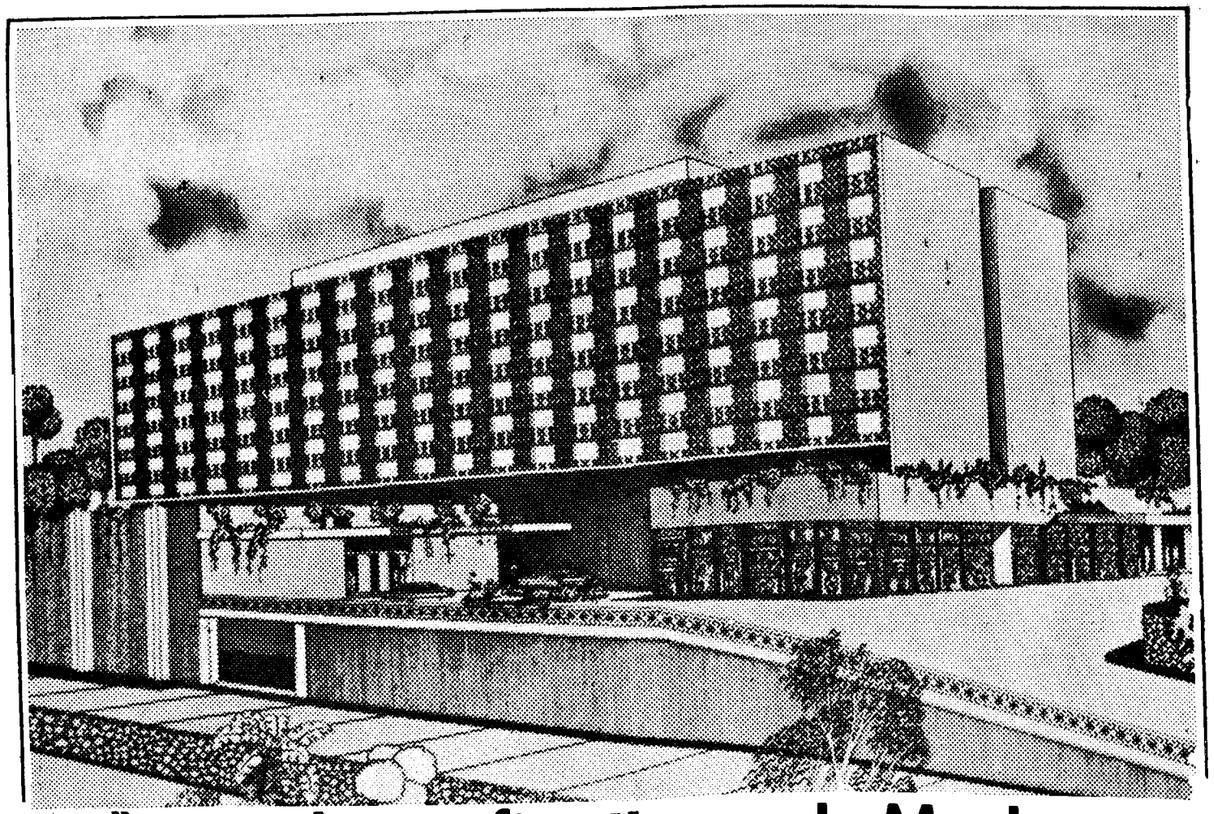
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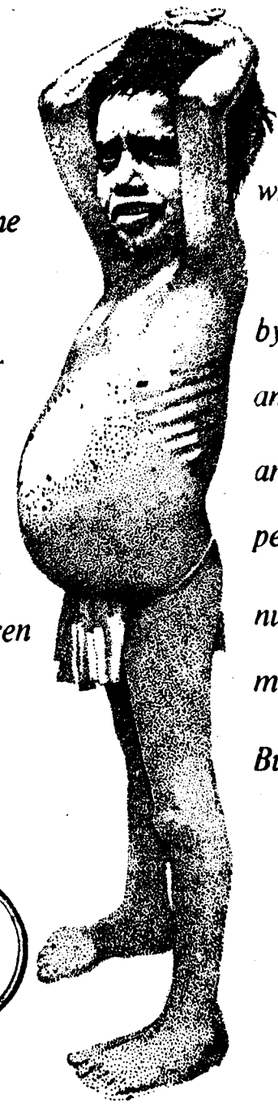
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I flee my mud hut that
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I am surrounded by children
with malnourished minds.
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his first philosophy.

I watch my cattle die
when monsoons fail.
But I have dammed half
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I was beaten down
by the invader.
But I have risen up
and embraced him.

I live in the fear
and crime of my slums.
But I have policed
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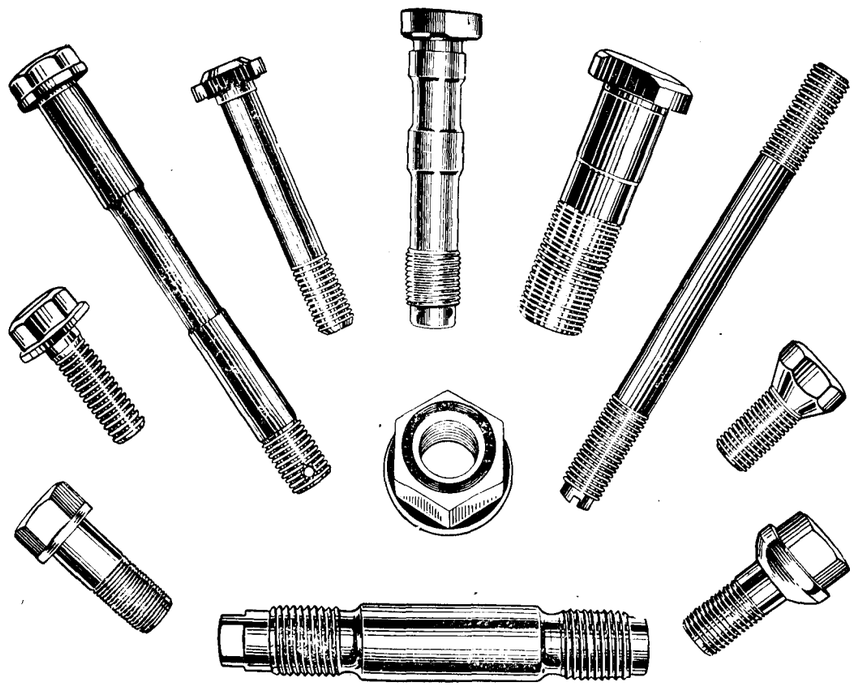
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A Matter of Credibility

WITH the presentation of the supplementary budget on the last day of July, the current official flurry of what had been tom-tommed as anti-inflationary measures is evidently over. The contents of this so-called budget have revealed, as nothing else has, the basic cynicism of the authorities in tackling what is certainly the gravest crisis of the Indian economy since Independence. Despite the long preamble on the impelling need to counter inflationary forces — which took the Finance Minister at least six to eight minutes to read out —, not one element in the supplementary budget could even remotely be claimed to help restrain prices: the impact is likely to be of a quite contrary kind. Official spokesmen have admitted as much — that there would be a certain price increase following the presentation of the budget, even though they were too cagey to quantify the extent of the increase. The official spokesmen however have not stopped there. They have gone ahead and confided that the purpose of the budget was not to contain prices at all, thus at one stroke making nonsense of the Finance Minister's rambling discourse.

It is as well that the veil so assiduously sought to be drawn by the Finance Minister has been torn asunder by his own men. The objective of the supplementary budget was altogether narrow and short-term. The government is obsessed by an anxiety not to let the fiscal deficit for the current year exceed the figure mentioned in the regular budget presented in February, namely, Rs 126 crores. In the five months since then, several things have happened, and the general price index has jumped by close to 15 per cent. Food subsidies would now cost much more than was originally contemplated; the burden of various other items of expenditure on the current account would also be considerably in excess of earlier estimates; on the other hand, because of the near-stagnancy of the economy, revenue receipts have tended to fall off; the brutal crushing of the railway strike has been a pyrrhic victory and has only worsened the state of the Railway Board's parlous accounts. All these facts have forced the government to launch a series of exercises to slash public expenditure. Apart from certain symbolic reductions here and there, no sizeable cut in non-developmental outlays is evidently possible. It is a different matter with Plan expenditure, which will be subject to heavy reduction. Even that might not however save the day. Tapping the capital market via the captive banks and public financial institutions could of course be done, and the experiment repeated a number of times; still, that would be small beer. Little is going to be achieved in the way of financially disciplining the states; despite periodic admonitions, their drawal on the Centre's resources is bound to continue, political realities being what they are. In the circumstances, provision had to be made for some extra revenues. Hence the compulsion of the supplementary budget with its limited aim of raising a certain quantity of additional resources, never mind how.

Other constraints too are at work. Direct tax rates were lowered in the budget passed in the month of May. It would be awkward to go back on that now. The supplementary budget thus had to steer clear of direct taxes. The proposed enhancement in the rates of capital gains taxes is in any case not to be operative before April 1975; even then, the additional realisation would be only Rs 5 crores per annum. If one leaves out this one, there is not another item in the entire supplementary budget which could be described as a genuinely non-inflationary means of raising

has been on further indirect levies, mostly on key intermediate commodities. Even the 7 per cent impost on interest earned by banks from advances is to be passed on to borrowers. Official spokesmen have admitted that these indirect taxes are going to raise prices, but have added the rider that, in certain instances, middlemen might be persuaded to bear the additional levy either wholly or in part. This is a futile hope. By now, normal economic discipline has completely collapsed around the country. Those currently chalking up excessive margins from the distributive trade are in no mood to take a cut in their rate of profit-taking; consumers and users, given the pervading state of scarcity, are also perfectly willing to pay whatever price is demanded for commodities that are, or are likely to be, in short supply. The general impact of the indirect taxes introduced through the supplementary budget cannot therefore but be to raise prices across-the-board.

The authorities are unlikely to be unnerved by the prospect. They had set for themselves a limited goal, namely, to reduce the fiscal gap in the immediate period by a certain proportion. Since the new fiscal measures will jack up prices over the entire economy, the inflationary forces, now on rampage, will however not be restrained in the least; this being the case, even the government's narrow budgetary calculations will be set further awry in a few months. But such an outcome apparently is not worrying the government, which is now living from day to day and hour to hour.

Several conclusions would seem to be in order on this particular theme. The first concerns the fact of a conspicuous decline in administrative competence, for otherwise a more cogent attempt would have been made to bridge the inconsistency between what the Finance Minister stated in his speech introducing the supplementary budget and what official spokesmen had to say subsequently. A more important element to which attention is inevitably drawn is the overall drift of the government's package of measures announced in the past few weeks. In terms of fiscal impact, the major decision has been the one impounding one-half of additional dearness allowances becoming due and all fresh wage increases to be negotiated. The rest of the measures, including the freezing of dividends above a certain range and the re-introduction of compulsory savings, are in the nature of cosmetics, for the net withholding of funds would be only the inflation has been almost entirely foisted on the shoulders of the organised working class. Despite the many noises made at various official levels, there is not one measure for regulating the untrammelled flow of so-called black money, nor has there been any attempt to tap the huge excess profits currently being garnered by surplus farmers, traders and other professional groups, including contractors. It was announced with much fanfare that the big borrowal accounts of the major banks were being scrutinised. But no information has been forthcoming about the results of the scrutiny; no blanket order has gone out to slash these accounts by a certain percentage. The perfunctory rise in the lending rates will not even be an irritant. The stray raids organised by income tax officials have unearthed a paltry crore or two of hidden income, and that is about all.

The Prime Minister has gone on record that she is not thinking in terms of price controls because such controls are not enforceable. It all depends upon the definition of enforceability, and the degree of enforcement one is looking forward to. On several occasions in the past, maximum prices were clamped down with respect to a wide number of commodities. Everybody knew that these ceilings on prices could not be enforced to the hilt; their mere existence however helped to create an environment of restraint. Even where breaches took place, they did not assume a runaway character. In contrast, one has only to refer to the kind of extraordinary things currently happening in the country with regard to the prices of foodgrains, vanaspati, sugar, cement, steel, paper, textiles, soap and so on. The government has simply withdrawn from normal economic administration; traders and manufacturers are being allowed to charge whatever they like. It is a complete free for all.

Even if only for the sake of record, the government has to be told that it is altogether on the wrong track in its search for instant solutions to the problem of inflation, and that the kind of disciplining of demand it is bent upon will not even touch the fringe of the problem till as long as there is no disciplining of the elements operating on the supply side of the phenomenon. It has also to be told that its pretensions of controlling prices cannot but sound hollow in a context where it itself, through its own acts and decisions, stokes the fire of inflation; there must be a modicum of internal consistency among the measures it initiates before it can either attain its goals or even succeed in convincing others that it is

In recent weeks, a number of statements have been made by important political functionaries, beginning with the Prime Minister, stressing the imperative need to raise the direct impost on agricultural incomes. But nothing concrete has been done to bring recalcitrant state politicians in line. Already the Punjab, Haryana, Tamil Nadu and Maharashtra chief ministers have reportedly conveyed their sense of dismay to New Delhi at the loose talk going on of taxing agriculture, as that might, according to them, adversely affect incentives. For public relations reasons, one or two states might be persuaded to raise a few crores of rupees through adjusting the rates of land revenue or irrigation levies. The totality of the problem would still remain what it always has been. And yet, on a rough reckoning, simply as a result of the rise in farm prices in the past two years or so, the net additional incomes that have accrued in the hands of surplus farmers and traders handling farm products must be in the neighbourhood of Rs 5,000 crores. These are incomes which have partly gone to swell the flow of so-called black money in the system. These funds are also increasingly being used to ensure that stocks are held back from the market, thus further raising farm prices. To siphon away, through tax measures, a part of this pile of rural income would thus not only lead to an accretion of public revenue; it could also strike a major blow for the containment of inflation by restraining the reserve demand for farm products, particularly foodgrains, which is at the root of the current price spiral.

The burden of direct taxation on agriculture, which ten years ago was at least above 1 per cent of income, has now touched the low level of barely 0.6 per cent. Even were the Raj Committee's recommendations to be shoved aside, it is not at all impossible to evolve a graded system of land revenue which could raise this proportion, at one go, to 2 to 3 per cent of aggregate farm income. This relatively simple operation could have yielded something like Rs 300 to 400 crores of additional income annually to the government, and to that extent put some purchasing power out of harm's way. Any such measure would also have helped to restore the credibility of the government. At the moment, nearly everybody, beginning with the surplus farmer down to the poorest consumer, is convinced that the authorities will not lift one little finger to restrain the rich agriculturist-cum-trader. And in this matter, the Union government is not as helpless as it professes to be. With the exception of Tamil Nadu, practically all other chief ministers in the country occupy their offices at the pleasure of the Prime Minister; she can insist that they do something substantive in the way of rural taxation. Moreover, the Prime Minister herself has stated that the current Emergency is in the nature of an economic emergency. Under Article 353 of the Constitution, during an emergency, notwithstanding anything else in the Constitution, the executive power of the Union could be extended to giving directions to the states as to the manner in which the executive powers of the latter are to be exercised, and, furthermore, the power of Parliament to make laws could include power to make laws in respect of even such matters as are not enumerated in the Union List. Given the provisions of this Article, it is well within the prerogatives of the Union government simply to direct the states to raise the impost on agriculture severalfold; no legal impediments stand in the way.

The Prime Minister has made a declaration of intent to raise farm taxes. In terms of Article 353, nothing prevents New Delhi from translating this intent into reality. It could be maintained that, even were the Union government, under the powers given to it by the emergency provisions, to legislate for increasing sharply the rates of agricultural taxation, since the state governments are to collect the proceeds of the taxation, their reluctance could make the endeavour infructuous. Attention could be drawn in this connection to the fiasco of the take-over of wheat trade last year. Ultimately, therefore, the issue resolves itself into the willingness of the government to have a political confrontation with the rural rich. The Union government has given ample evidence that it is not at all reluctant to have a confrontation with the organised working class; it has also provided ample evidence that it is not overly concerned with the plight of the landless labour, the small peasantry and even the fixed income-earning middle class. The community has waited long enough for similar evidence that it is not scared of a confrontation with the entrenched power structure in the countryside, consisting of those who are reluctant to pay taxes and equally reluctant to hand over to the state even a minuscule proportion of the grains they raise with the help of bounties offered them by the state itself in the first place.

The key to the containment of inflation in an economy such as India's, where the food budget still overshadows the cost of living, lies in the regulation of foodgrain prices as well as in taxing away the excess profits in agriculture. The regulation of foodgrain prices, in its turn, depends upon a realistic policy of procurement prices and a determined bid to procure a crucial quantity of the grains for being funnelled through the public distribution system. The Prime Minister owes it to herself as much as to the electorate to find out how is it that, despite the considerable strides made in foodgrain production and the considerable rise in procurement prices, the proportion of public procurement has steadily declined in the course of the past decade. If she really so intends, it would also be easy for her to identify the measures needed to revive the procurement effort. What is however most called for is a recognition that the various policies for restraining prices — and stimulating growth — have to be integrated with one another. For taxing rural resources belongs to the same genre of problems as enforcement of a realistic public distribution policy. A government which fails in the pursuit of the one will also fail in the other. At this juncture, therefore, the rationale of a policy of growth is identical with the rationale of containing inflation, and both converge on a policy of containment of the privileged sections.

Balance of Payments Quicksands

IN the first half of 1973 any forecast of a serious foreign exchange crisis would have been regarded as an example of scare-mongering. The suggestion, made in these columns in last year's Special Number (pp 1375-9), that we would soon be forced to draw heavily on the IMF might have sounded unnecessarily alarmistic. But, as things have turned out, we have borrowed from the IMF to the tune of Rs 370 crores; also, it is becoming clear that even the foreign exchange reserves thus augmented would be inadequate to meet the demand for imports. The gravity of the balance of payments situation has not altogether escaped the government, as is evident from its attempts to keep in check imports of a number of commodities, especially petroleum crude and products.

The government's public stance, however, continues to be that the foreign exchange position is quite comfortable and that it would be possible to see the current year through without much difficulty. The export figure of Rs 2,450 crores for 1973-74, showing a growth of over 25 per cent over the previous year, may seem to lend substance to this confidence. Since the growth of exports in 1972-73 had been almost as high, at over 22 per cent, it might be tempting to conclude that the export sector has achieved a breakthrough in terms of sustained high rates of growth. Data for the first three months of the current year, i e, April-June 1974, show a further nearly 40 per cent rise in exports to Rs 643 crores as compared with Rs 460 crores in April-June 1973.

Considering the overall performance of the economy, the surge in exports, it is true, is about the only silver lining on the horizon. Even so, the export figures call for a second look. First, the accuracy of the export data is still in doubt. None of the series of committees appointed to examine the export data has pronounced judgment on whether the data as compiled and published by the DGCIS can be taken at face value and, if not, by what margin they should be deflated to give a reliable idea of export performance. The Reserve Bank's balance of payments data, which should have served as a check, have been getting more and more delayed; the latest data we have are over two years old. Second, DGCIS figures for the first 11 months of 1973-74 show exports to Bangladesh, which are mostly financed by loans and grants, of only about Rs 50 crores. The DGCIS, it may be recalled, had recorded exports to Bangladesh of only about Rs 70 crores in the first 11 months of 1972-73 while for the whole of 1972-73 these exports were placed at Rs 157 crores. It would be possible to assess the inflation of the export figures for 1973-74 on account of exports to Bangladesh only after the details of country-wise exports become available. Finally, there is a significant element of inflation in the value of exports because of the devaluation of the rupee; the trade-weighted depreciation of the rupee during 1973-74 is unlikely to have been less than 5-6 per cent over 1972-73.

As in 1972-73, the striking export growth in 1973-74 was largely made possible by the sharp rise in the unit values of exports. Exports of cashew, for instance, at 52,323 tonnes were actually lower by 13,955 tonnes than in 1972-73, but in value terms they were higher by about Rs 6 crores. Similarly, exports of coffee increased by about 4 per cent in quantity and by over 35 per cent in value. Exports of spices in 1973-74 were 81 per cent higher in value and 26 per cent in quantity. Ex-

ports of marine products touched an all time high in 1973-74 of 52,279 tonnes valued at Rs 89.2 crores as against 38,903 tonnes valued at Rs 59.7 crores in 1972-73. Frozen shrimp was mainly responsible for this spectacular export growth of 34 per cent in quantity and nearly 50 per cent in value. Exports of cotton textiles were substantially higher at Rs 238 crores in 1973-74 as against Rs 160 crores in 1972-73. Unit value realisation of most cotton textile goods was markedly higher — especially of piecegoods, the unit value of which was almost 40 per cent higher. However, sugar is perhaps the most outstanding example of rise in prices. Exports during October 1973-April 1974 amounted to nearly 1.5 lakh tonnes as against only 33,000 tonnes during the corresponding period of the previous year. The free market prices, at which a large proportion of Indian sugar exports were made, were on average four to five times the support prices earlier offered by the UK under its Commonwealth sugar quota. These few cases bring out the extent to which the inflation in world commodity prices has benefited our exports. Taking all exports, the rise in unit value realisation was about 11 per cent in 1971-72; in 1973-74 it is unlikely to have been less than 15-17 per cent.

It needs to be added, however, that if the growth in India's exports in 1973-74 is viewed against the growth of overall world trade, the picture is not all that attractive. India's share in world trade has been consistently declining for many years and this trend continued in 1973. While world exports increased by a record 37 per cent in 1973, Indian exports rose by 25 per cent in 1973-74. Similarly, the rise in average unit value of exports (in dollars) was about 20 per cent for Japan and Western Europe, whose exports consist almost entirely of manufactured products, and about 18 per cent for all developed market economies. India's exceptional export growth in 1973-74 was thus largely the result of a spectacular growth in world trade, both in terms of quantum and unit value.

The continually falling trend in our exports as a proportion of world trade points to the country's weak response to the emerging opportunities for export. India is nowhere near Japan or most of the West European economies that have achieved tremendous growth in their foreign trade over the last two decades and in whose case foreign trade has been an engine of growth of considerable importance. The growth in India's exports in the last two years is very largely the result of fortuitous circumstances, in addition to aid-financed exports to Bangladesh and some statistical manipulation by the DGCIS. Our performance in jute exports, for instance, has been largely the result of setbacks suffered by the jute industry in Bangladesh and the steep rise in petroleum prices which has made synthetic substitutes less competitive. Our jute exports may well cross the Rs 300-crore mark in 1974-75, but that would be entirely due to lower acreage under jute in Bangladesh and the floods that have damaged a part of even this smaller crop. To take another example, the rise of 40 per cent in total exports was almost entirely due to the Rs 171 crores worth of sugar exports since April 1974. Exports of oilcakes in 1973-74 were similarly aided by the poor world crop of oilseeds and the Peruvian fish meal crisis. Both these had profoundly influenced the world protein market last year but are unlikely to be operative in the current year. No country can, however, afford to depend on fortuitous circumstances to earn the foreign exchange needed to finance not only the so-called essential 'maintenance' imports but now increasingly also larger quantities of foodgrains and edible oils as well as petroleum products and fertilisers.

However, most of the government's efforts to strengthen the export sector of the economy have all along lacked an effective strategy. What passes now for export promotion suffers from the absence of any sense of direction and is largely an arrangement for sharing spoils which are appropriated by a few parties who heavily influence the government's export promotion policies. Cash subsidies, import replenishment, export promotion tours abroad and numerous other wasteful activities financed by the Commerce Ministry's market development fund have cost the country several hundred crores of rupees in the last two decades without resulting in any corresponding increases in exports of the products concerned. It is time the government realised that the investment costs and gestation periods involved in promoting exports of highly sophisticated manufactured products are much higher than those involved in promoting exports of such items as marine products, leather manufactures, clothing and fruits and vegetables. With a relatively small investment and within a short period, exports of marine products increased almost three-fold from Rs 31 crores in 1970-71 to Rs 89 crores in 1973-74. Similarly exports of garments have risen spectacularly from a mere Rs 7 crores in 1969 to about Rs 87 crores in 1973-74. Had the government spared even one-half of the amount of foreign exchange annually allocated for import replenishment licences for engineering goods exporters, exports of marine products would have been considerably higher than even the current levels. Besides, some export activities, like marine products and clothing, being relatively more labour intensive have the added advantage of being employment-oriented. While continuing its efforts to develop exports of manufactured goods on a long-term basis, the government should turn its eyes to quick and high-yielding export sectors. Given that investible resources would continue to be scarce, thereby keeping the overall growth of the economy as well as exportable surpluses at low levels, the least that the Commerce Ministry can do is to channel the limited resources at its disposal to stimulate those export sectors which require relatively low levels of investment, imported inputs and cash subsidies and are also characterised by shorter gestation periods.

Turning to the foreign exchange prospects for the current year, the situation is fairly grim. Foreign exchange availability has no doubt been strengthened by three drawals on the International Monetary Fund under the compensatory financing facility, the gold tranche and the first credit tranche. At the current exchange rate, the addition to foreign currency reserves has been slightly over Rs 370 crores. The Reserve Bank's holdings of foreign currency reserves in August 1974 were around Rs 680 crores and if the government's holdings are added to these, total foreign currency reserves are likely to be in the range of Rs 750-780 crores or roughly Rs 280-300 crores higher than at this time last year. To this may be added net accrual of foreign assistance after meeting debt liabilities. According to a recent assessment by the Ministry of Finance, "judging by the encouraging aid trends, foreign aid availability this year would be higher by Rs 50 crores than the budget estimate of Rs 552 crores". It is not clear, however, whether this figure of Rs 602 crores includes the short-term credits made available by Iran and Iraq for imports of crude oil. Even by optimistic accounts the total saving of foreign exchange on account of these short-term credits is unlikely to exceed $ 200 million during the current year. Thus net availability of aid, after meeting debt obligations, is unlikely to exceed Rs 250 crores this year.

According to the preliminary DGCIS figures, imports in 1973-74 at Rs 2,636 crores rose by 44.3 per cent over 1972-73, resulting in a big trade deficit of Rs 220 crores. Actual imports in 1973-74 are expected to be even higher as the final figures of imports of petroleum and petroleum products were not yet available when the above figure of imports was announced. According to informed estimates, the final import figure is expected to be around Rs 2,850 crores, reflecting an increase in imports of nearly three-fifths over the previous year and revealing a huge trade gap of Rs 400 crores.

That the drawals on foreign currency reserves in 1973-74 were rather lower than indicated by the trade deficit is primarily on account of three factors. First, the trade surplus with the East European countries came down sharply in 1973-74, reflecting increased import reliance on these countries. While exports to these countries increased marginally from Rs 419 crores during April 1972-February 1973 to Rs 428 crores during April 1973-February 1974, imports from them increased from Rs 194 crores to Rs 312 crores. Secondly, it is likely that a part of the steeply enhanced payments for crude imported by the foreign oil companies might have spilled over into the current year. The situation on this account is now likely to become difficult as the oil companies have refused to import crude on credit and are insisting on payment much before the oil lands in the country. Lastly, an appreciable amount of foreign exchange that usually leaks into the financing of activities like smuggling appears to have flowed into official channels, as profits in these activities, and gold smuggling particularly, have come down.

Imports in the current year are likely to go up further for several reasons. Procurement of foodgrains from the summer crop has been miserably low at about 1.6 mn tonnes as against 4.5 mn tonnes last year. Taking into account the present meagre stocks of foodgrains with the government and the uncertain prospects of the winter crop, imports this year will have to be at least of the order of 4-5 million tonnes. The government has, since April this year, already purchased abroad 1.52 million tonnes of wheat and 0.43 million tonnes of milo at a cost of about Rs 225 crores. Including freight charges, the landed cost of this grain would be around Rs 285 crores. Foodgrain prices abroad are unlikely to come down further and import of an additional 2.5 million tonnes would cost around Rs 375 crores, including freight. Thus imports of foodgrains would cost over Rs 650 crores this year, or Rs 200 crores more than last year.

Imports of petroleum crude and petroleum products will cost around Rs 1,000 crores in 1974-75 so that the additional foreign exchange cost under this head would be around Rs 50 crores. Though because of the worldwide shortage, fertiliser imports on the required scale may not materialise, the steep rise in international fertiliser prices might involve an additional foreign exchange outgo of about Rs 150 crores. According to a recent government statement in Parliament, imports of steel against orders already placed would be 1.13 million tonnes during the year. Steel imports would be thus around Rs 350 crores this year or about Rs 100 crores more than last year. Though non-ferrous metal prices have come down from their recent high levels, the actual import bill is unlikely to come down very much as the prices that are likely to rule this year are unlikely to be much lower than the average prices paid in 1973-74. Moreover, the MMTC has a number of long-term import deals at already agreed prices.

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Considering the trend of prices in the developed countries as projected by the OECD, the cost of import of manufactures would go up by at least 10-15 per cent, even without any increases in the quantities imported. The domestic trends in production of a number of important products such as oilseeds, cotton, etc, are not favourable and so one should not rule out the possibility of an added burden on account of imports of these commodities.

Though actual imports during the current year will finally depend on the availability of foreign exchange, the above tentative and crude exercise indicates that if imports are to be maintained even at the present levels or at levels calculated to ensure the minimum domestic supplies of some of the essential goods, total imports during the current year would be around Rs 3,800-4,000 crores. Against this export realisations are likely to be around Rs 2,600 crores, according to the Commerce Ministry's targets for 1974-75. This would leave an uncovered gap of about Rs 1,200-1,400 crores. As noted above, net aid this year is unlikely to be more than Rs 250 crores, leaving a trade gap of Rs 950-1,150 crores which is much larger than the current levels of the government's foreign currency reserves.

It is obvious, therefore, that the government would be forced to resort to further drawings from the IMF both under the second credit tranche and the cost of oil facility. However, it would be better to ask for a standing credit from the IMF as borrowing under this would not be as costly as under the oil facility. Whatever be the manner in which the government finally decides to meet the grave foreign exchange crisis, the situation demands serious rethinking by the government of its economic policy. How long can it pursue policies that are pushing the country into ever-increasing international indebtedness of a type that would soon kill the nation's will to survive through its own efforts and achieve self-reliance?

PERSPECTIVES

Maze of Manipulative Politics

(Contributed)

THE outcome of the Presidential election was predictable. As events have begun to turn out, all elections in the country are reduced to inconsequential episodes. Across the country, there is a phase of suspended animation as low-order manoeuvrings circumgyrate such elections. That phase soon ends, and a left-over of unspent passion fills the air. The Presidential election just ended falls into the same pattern. It would provide no catharsis for choked political emotions; as the result is announced and the new incumbent moves into Rashtrapati Bhavan, the course of Indian politics would remain what it has been during these past years.

By now the Congress party is an entity pivoting around a single individual. This is an extraordinary situation — and an unprecedented one. Not even during the hey-days of Jawaharlal Nehru was his dominance over the party so complete and awesome as it is today in the case of his daughter. One could go some decades further back into history: not even Mahatma Gandhi during the 1920s and 1930s could exercise such a total command over the Congress organisation as Indira Gandhi is currently exercising. The tragedy, from the point of view of the nation, lies in the fact that this authority is being wielded for a purpose which is totally vacuous. Mahatma Gandhi's dominance over the Congress half a century ago coincided with the emotional peaking of the Indian national movement. Throughout the 1950s, the charisma of Jawaharlal Nehru was utilised to articulate a bold new framework of international relations and to propagate, however imperfectly, the postulates of planned economic growth in the domestic sector. In contrast, Indira Gandhi's absolute supremacy in Indian political affairs is being deployed with an altogether negative intention in mind. It is the only bulwark preventing the Indian National Congress and its wobbly super-structure from being swept aside by the tidal discontent of the masses.

However hard the Prime Minister might now try to reverse the image of her party, it is perhaps already too late. She herself is trapped by the maze of manipulative politics which thrives on an intricate arrangement of spoils. It is not necessary to question her personal credentials. It nonetheless needs to be pointed out that the kind of political opportunism she has sought to make respectable is disastrous for economic management. The worst features of parliamentary democracy have become the stock-in-trade of her system of operations. It is a syndrome of political privilege and economic power crudely exchanging for money. Once you are waylaid by it, the manoeuvrability for economic growth is irretrievably lost. For the processes of the government are then used, nearly exclusively, to placate particular interests, for example, through lowering or abolition of taxes, or through assorted programmes of loans and subsidies, or through doctoring the terms of trade in favour of select groups and sections. This arrangement is, to say the least, corrosive of national economic discipline, including the discipline necessary for fostering and advancing national savings. Since it has also led to a decline in national ethics the sustenance of the Indian National Congress in power has resulted in a grim pay-off for the nation.

Till as long as the Prime Minister cannot be weaned away from her current predilection for shot-gun politics, the pull of her personality will continue to be exercised for frivolous causes, and not for any concerted programme for either accelerated economic growth or for a greater egalitarian order. Unfortunately, the alternatives available to the community at large are equally uninviting. Parties further to the right of the Indian National Congress have little prospect of flourishing in Indian conditions, for it is impossible to negate the objective laws. Given the present structure of economic and political institutions, the *deus ex machina* of *laissez faire* will not only fail to attract the loyalty of the large masses of the Indian electorate; it will also be incapable of realising the minimum economic and social objectives that the nation might set for itself. The leaders of the Jan Sangh have understood this point well, and have tried to substitute a blend of obscurantism with a cosmetically more elegant economic programme. Even that is unlikely to capture the imagination of the electorate on a national scale, and the party will find it enormously difficult to get rid of its identity of association with the Hindi belt. The rest of the parties belonging to the right echo individual or sectional interests and lack the genius to sustain themselves either over time or over space. Repeated attempts at rightist consolidation — such as the one currently being spearheaded by Charan Singh — are bound to fail for precisely this reason: there can be no permanent binding of these disparate personal or sectarian ambitions.

The hinterland was much more propitious for a purposive push by the leftists. The various shades of political attitudes ranging between those of the Congress and of the Communist Party never constituted a substantive element in the Indian political milieu, apart from those who, once upon a time, decided to follow the flag of Ram Manohar Lohia. The latter represented a mixed-up category, combining their fierce allegiance toward populism with obscurantist ideology often resembling those propagated by the Jan Sangh. As the underlying economic issues gradually got clarified, many of them drifted to their natural habitat, either in the Congress or in parties even more conservative. Some of the rest, who genuinely adhered to the ideological left, would — one could have expected — soon have found themselves in the Marxist camp. This would have been the normal denouement if only the mainstream of the left movement spearheaded by the two communist parties could exhibit a greater integrity in thought and action. A certain streak of nihilism would however seem to have affected the communist movement right from the moment when its potential for growth and consolidation ought to have attained the peak following the rapid deterioration in the nation's economic conditions in the early 1960s. From that point on, it should have grown at an exponential rate; instead, it bogged down and splintered itself following a crisis of identity. This crisis coincided with its endeavour to define with precision its national and international roles. When the CPI(M) separated from the CPI in 1964, the rupture was basically on an international issue; it is only because of subsequent developments that the Marxists now find themselves reduced to the status of a genuinely national party free from external commitments. One is not sure that the party is deriving any particular serindipity from this development; for if the Marxists are today bereft of any international links, it is not on account of any lack of trying on their part. Be that as it may, their present status should enlarge the possibility of the Marxists formulating independent attitudes on foreign as well as domestic issues exclusively in terms of the interests of the Indian working class.

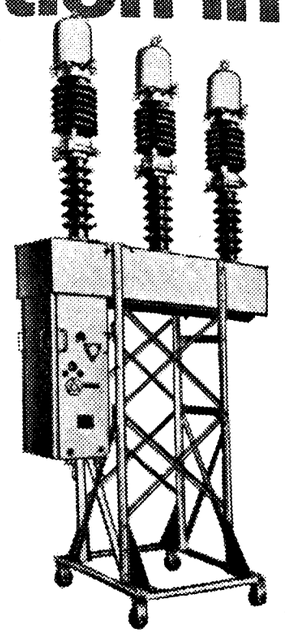
The situation in which the Communist Party of India finds itself is much more complex, as vividly exemplified by the contortions it has had to undergo in connection with the Presidential election. Its affiliation to Moscow remains as strong as ever. Therefore, it is unable to relegate to the background the international implications — more specifically, the implications for Soviet foreign policy — of any decision it might be called upon to make on a domestic issue. The party has made up its mind that the programme of a national democratic front is worth being persevered with. In its judgment, the split in the ruling party in 1969 has opened up the possibility of a gradual convergence between the ideologically progressive sections of the Congress and the left movement in the country. Once one grants such a prospect, one also has to reorganise the distinct possibility of a convenient telescoping of the national democratic revolution. This is an option which, according to the party, must by all means be kept open. Its reluctance to combine with the other left groups in the country for resisting the current bout of onslaught against the working class unleashed by the Prime Minister is explained by this dilemma of decision-making. The CPI is hoping that the Prime Minister's drift to the right is a temporary phase which is bound to pass away and that objective circumstances will once more compel her to turn to a leftward economic policy. It could indeed be that, in arriving at their decision, the leaders and cadres of the CPI have not sacrificed the integrity of their dialectical judgment. There is however scope for a lurking suspicion that if the CPI's international affiliations were not what they are, its attitudes on domestic issues and lines of action would perhaps have been somewhat different. For there is hardly any getting away from the proposition that, because of the compulsions of its foreign policy, Moscow cannot for the present afford to alienate Indira Gandhi and her Government, and because Moscow cannot afford it, the CPI too has to fall in line.

When the annals of India's political evolution in the 1960s and 1970s are written, this phenomenon will no doubt be widely commented upon for, since hindsight could only confirm the fact of the great opportunity surrendered by the communist movement in the country during this period. Whether the CPI's perseverence with the national democratic front will be appropriately rewarded remains a wide open question. At least, some of the recent trends within the Congress party strongly suggest that the prospects are otherwise: a party given to crass worship of the mammon is an altogether unlikely vehicle to ride for ushering in a meaningful social revolution. In contrast, if only the two communist parties had combined, there was a time in the late 1960s when they could have provided a viable national alternative to the Congress. In 1969, the two parties, either on their own or with the support of their very close ideological allies, had a majority in the state legislatures in Kerala and West Bengal. If they could have forgotten their respective international commitments as well as their mutual, largely subjective, animosities, it was given to them to blaze a trial, and establish an ideologically-oriented model of administrative behaviour in the two states. The rest of the nation would then have taken up the cue. For once they had launched along this direction, the Indian National Congress, then badly split down the middle, would have been unable to stem the tide. Given her as yet precarious hold at the Centre, Indira Gandhi would have been left with little alternative, and would have accepted the arrival of the communist experiment along these shores. Besides, in the Indian climate, nothing succeeds as much as mythology. Once the story of an alert, effective, honest-to-the-core administration run by the communist parties in the states of Kerala and West Bengal had spread across the land, an emotional upsurge all over was distinctly conceivable, and even the strongest citadels of backwardness and obscurantism could have fallen. Such an opportunity is rarely if ever repeated in history. Those who are enamoured of theses imported from outside, and those who abhor the sharing of power with certain hypocrites, could very well ponder over the particular tragedy that has overtaken the Indian masses by virtue of the sectarian stances struck by them.

Frustration manifests itself in several ways. The adventurism the Naxalites broke into merely contributed another droll episode to the Indian political scene. Despite their many sacrifices, by now that too is a minor, fading footnote to history. Jayaprakash Narayan's current effort represents yet another facet of desperate romantic strivings to salvage the polity. But one still fails to see it as a credible, viable, alternative course for redeeming the nation and reviving its urges. The groping continues; as of now, no light is to be seen beyond the tunnel.

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Calcutta Diary

A M

DO I dare forsake my faith, do you dare forsake yours? Two-thirds of the nation, a minister apologetically confesses in Parliament, have now slipped below the so-called line of poverty. A decade ago, barely one-half were below this line. Nonsense, says the Prime Minister, stepping in to correct her somewhat awestruck colleague: She constantly travels and addresses crowds all over the country and those flocking to her meetings invariably look better fed and better clothed than they did in the past. The public distribution system, you and I see, has all but flopped, which is why food prices keep soaring. Nonsense, says the Union Cabinet minister, we are running the show all right — even though there has been little domestic procurement — with the help of imported grains; nonsense, echoes the Prime Minister, the current crisis has nothing to do with the failure in food distribution, it is all because of a genuine deficiency in output. There is great distress in the countryside. Men, women and children are trekking towards urban pockets in search of food, a large number of deaths from starvation have taken place, claim those who are politically arrayed against the Government. Nonsense, says the Government spokesman, only a trickle are coming to the towns and cities; besides, some distress about this time of the year is normal in the countryside, the reported deaths from starvation are nothing of the kind, they are only fatalities induced by malnutrition, and, anyway, committees are being set up to investigate these reports. An unemployed stenographer chooses death to the pangs of hunger; he slashes the throats of his children, feeds poison to his wife, and swallows it himself: please feel assured, the police have registered a case of murder and attempted suicide against both husband and wife. Unless prices are held back, ruination stares the nation in the face, argue the part-time economists and the wholetime housewives; wrong, the ministers patronisingly point out, you cannot simply apply a brake on prices: that is neither feasible, nor healthy, for haven't you heard the Prime Minister say that if prices fall, unemployment will increase? Rather, you have to attack the problem from the other end, by controlling income and demand. But you are controlling the demand and the income of the wrong people, bitterly complain the trade union leaders.

The issue is thus joined. These leaders lack foresight: they are, in addition, self-seeking and unpatriotic. Who says so? I, says the minister, and the henchmen applaud from the sidelines. Clarify your postulates, how do you define what patriotism is? Don't you know, says the ruling politician, my definition by definition is superior to yours; besides, an emergency is on and when an emergency is on my postulates have to be taken for granted by you — such as that imports are necessary to accelerate growth and self-reliance and that exports are necessary to make imports possible; but, in order to export, you must first import, may be essential raw materials and intermediate products, and never mind if the value of your imports exceeds the f o b value of the resulting additional exports. This tongue-twister does not make sense, it smacks of a racket, the critics cry themselves hoarse. Obviously, they have not read the draft of the Fifth Plan; moreover, an emergency is on. Thus that ends that particular argument.

Because of the emergency and the rampant inflation, expenditure has to be curtailed and the Plan has necessarily to be cut back, so decide the authorities; the outlay on the defence forces and on the police has nevertheless to rise. It is the same emergency which, in one instance, provides the alibi for curtailment of expenditure, and in another, becomes the *raison d'etre* for spending very much more. Your finance minister, no less, rails against the fact that the nationalised banks continue to favour the big industrial and business houses; however, the moment even a symbolic reduction is effected by this or that bank in any of these big accounts, an admonitory telephone call goes out immediately from the office of this or that Cabinet minister: how dare the banks choke the working of industry and trade? The banks are condemned for their proven incompetence to offer succour and support to the poor and the weak; yet, when key appointments are to be made in the world of banking, care is taken to weed out those who might feel ideologically inclined toward the underprivileged and the choice falls on established hucksters. This, the authorities say is slander: Appointments are always made on the basis of merit. But merit is as merit does. If the decision tilts in your direction, the one making the decision is meritorious; if they tilt toward the direction of thine sworn enemy, he is a rogue and an imposter. A certain lucidity is thereby introduced in the controversy. It is a value-loaded universe: preferences are the outcome of systems of values; even facts are mere veils; reality is what I consider it to be; my notion of reality collides headlong with yours, or our next-door neighbour's; there is confusion, uproar, a state of near-anarchy. Once this happens, non-alignment has no role to play. Even an umpire cannot detach himself from his own set values; so why bother to call him in? Thieves and charlatans no longer have to justify themselves to anybody. All they have to do is to re-define murder and pillage as patriotic ventures.

This is an impasse. The only way to get out of it is to arrange an explosion. There is, however, a nodal law according to which explosions are supposed to take place, a law which has to conform to the processes of history; one cannot bypass history. Up to a point, it should still be possible to telescope it, squeeze it within a narrower expanse, hustle it, hasten it. Everything hinges upon the qualifying expression: one can play hokey-pokey with history, but *only up to a point*. But in this interregnum, Adam Smith's much-vaunted invisible hand fails to put in an appearance. Each pursues his or her own self-interest; but no economic optimisation ensues. Rather, there is an erosion of national possibilities. The philosophy of the grab turns into the dominant moral thought. As the sectarian happiness of some cuts across the primrose path for the community as a whole, nearly each and all assume the world to be bereft of internal and external economies. The endowment of resources is taken to be static; which causes panic. What you do not grab at this instant will, it is felt, be denied to you forever. The decision then becomes easy: you are no longer prepared to play the role of the romantic exile; you wave, with impatience, the flag of the certified *khadi* and arrive instantly.

Having arrived, intimations of immorality seize you. It is an eerie erotic zone, from where there is no question of voluntary departures. History will have to wait, for, meanwhile, you give yourself over to hallucinations. The notion that the processes of history can be made to turn back, perhaps

emerges as one of the major outcomes of such hallucinatory experience.

In the United States of America, by one swift stroke, the hallucination has been brought to its end. Snobbery of a kind was recently abroad. Deriding the modalities of American democracy, making fun of the honest ploddings of Dicey and all that, was in danger of becoming habit-forming. The Americans have now re-established at least the point that those who laugh last laugh best, and this despite the fact that what struck them was no laughing matter. It all started, very humbly, with a coloured night-watchman and two cub reporters. They decided they must overcome, and they did. If any homage is due, it ought to reach to those who, despite the Ehrlichmans and the Haldemans, do not give up, but decide to explore the roots of integrity — or the lack of it.

In India, such explorations will be frowned upon. Integrity has gone out of fashion. China's cultural revolution has been the butt of unending Indian jokes. It is hardly surprising that this has been so. A commitment to the fact that human beings can stay, the entire stretch, wedded to norms of integrity and simple living will, of course, not go down with those who see no evil in the Bharat Sevak Samaj, or, for that matter, in Maruti. Such people will shed genuine tears at the departure of Richard Milhous Nixon. For Watergate was their international alibi: why cavil at them when Nixon and his gang could get away with much, much worse?

The citizenry of this country have honestly no way of knowing whether the crimes being perpetrated on their native shores are less or more heinous than the ones indulged in by the conspirators who occupied that terminal building on Pennsylvania Avenue. The magnitude of the outrages committed here, you or I might say, is much, much greater, but that would only be our guess versus our neighbour's. This, in any case, is dangerous terrain, what with the emergency and the considerably augmented outlay on defence and security forces. And it will hardly do to forget that people have a way of disappearing here, something which did not quite happen in Nixon's America. They disappear behind prison bars or, what is much worse, are simply not heard of or given a bad name and shot point-blank. Sometimes they die, because, the Government's police will confide to you in case you happen to come down to Calcutta, they have a habit of choking on their food — the food which they consumed three or four hours earlier — even as they watch an open air dramatic performance. Those who are given to indulging in hallucinations about their own grandeur are also the ones peculiarly adept at weaving fairy tales. This is perhaps what is commonly described as double jeopardy.

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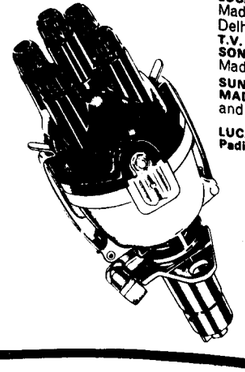
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The Twilight of a Political and Administrative System

Romesh Thapar

WITH Nixon a thing of the past, yet to be convinced that he should have told the truth, and our own Nixonians still confident that they will never be confronted, the hope is nevertheless expressed every now and then that this tired, timid, society might yet have the gumption to halt the rot. The clues continue to be highlighted to arrange a presidential or prime ministerial scandal, but the empirical evidence suggests no action. There is a lazy acceptance of illegal ways, a kind of exhausted *rationale* for survival. Indeed, even when the anger gathers, it soon dissolves in helplessness. No viable alternative has yet crystallised — that's probably the reason for do-nothing attitudes.

Cynicism is understandable in such a situation. A recent jamboree in the Capital, of some 30,000 youthful rowdies of the ruling party, brought together at considerable cost by train and truck, and fed despite strict regulations to the contrary, was clearly a futile exercise. Normally, there would have been considerable talk about the significance of the demonstration. Now, only competing politicians bother to get hotted up about it. Maybe later we will, when we realise more fully the method in the madness. As for the local University, it gave the Jan Sangh a landslide win in the student elections following the rally.

In the Capital, ribaldry has replaced sobriety in comments on the current scene. Not a single section of the population of the Capital — a few morons notwithstanding! — has any faith in the capacities of the government of the day. Even promises of a massive shake-up of the ministerial mess do not excite the observer. He is bored at the prospect of another team of yes-men without individual capacity for leadership.

The Only Insurance

Ordinances and budgets show no signs of holding the price bounce. Black money operations and hoarding (the conversion of black money into goods!) continue to enjoy a charmed existence, despite protestations from public platforms. If the breed of politicians is thoroughly discredited, so are the slogans and catchwords by which politicians have lived these 25 years or more. In a sense, all this is to the good. It marks a growing up. But — and here's the rub — somehow a corrupt ruling elite has engineered a desperate desire among all and sundry to enjoy power or be associated with it in some capacity. An insurance, no doubt, in these very uncertain days.

Possibly, this is why, like the proverbial bullocks at the well, we keep going round and round the same spot. If the presidential election is a silly fix and degrades the office, there is still the excitement of being told by an angered Congressman that dear old Fakhruddin Ali Ahmed and family are allegedly among the tiny crust of 'the super rich'. And so we move on, from Giri's bombast to Fakhruddin's pukings. And, then, to the prospects of ministerial shuffle. Meaningless, yes; but what's to prevent a little excitement about the possibility that a *maha katal* is being planned.

The Nab's in the System

Fresh and relevant thinking on our critical condition is not possible without questioning the political and administrative system which has designed our life during the past 25 years. The organised elite embedded in its own interests, will refuse to question the system. Indeed, it attempts to spread the false impression that anyone who does so is against the democratic process! Will our morons realise that there are various ways in which the democratic will can be expressed — and we certainly have not discovered the ideal way.

Under the present political and administrative system, it is impossible to register any solid improvement in our condition. This is not an attempt to evade critical issues. What is the point of fulminating against corruption, as opposition politicians do, when the very election system which they continue to opt for creates the base of corruption? What is the point of denouncing the parallel economy, when its captains are the financiers not only of the ruling party, but also of those who see themselves as alternatives? What is the point of agitating about increased productivity, when controls and licensing procedures (also a part of political manipulation!) have made us captives of scarcity situations? What is the point of appealing to students and the working force to work with discipline, when orders are out to topple unions and leaderships to make political life even more manipulative? What is the point of projecting alternatives, when those who control the levers are determined that thinking must be within the *status quo*? Take any popular speech of President, Prime Minister, or Minister: It can be torn to shreds by references to the reality around. In fact, an enterprising record-pressing company could make a killing with a selection of the banalities that are dished out daily.

Unless the political and administrative system is structurally altered, we will not be able to cut our way through the jungle we have created. Naturally, this exercise has to be based on lessons drawn from the past 25 years. The Indian federal policy is viable. The mammoth unilingual states are not. They will have to be further divided into more compact areas, geographically and language-wise. A federation of some 50 or more states is likely to strengthen the processes of democratic decentralisation and federal coherence. We should not allow ourselves to be silenced by the ugly Congress politicians of Uttar Pradesh and Bihar.

If, with the physical reorganisation of our federal polity, we are also able to replace the present, very British, system of elections (with its stress on personalities!) by the more European system (built on proportional representation) geared to parties and programmes, cutting out those which poll below a minimum, we might be able to introduce election-financing measures by the State which would end the power of private, corporate and black money. There is no problem which is beyond solution, if we bring intelligent thought to bear upon it and the sustained will to resolve it. The trouble is that both these qualities are now lacking in our public life.

Pawns Don't Make Chess

And, so, we are lost in gossip: Fakhruddin's Rs 50 lakhs worth of assets, the fate of Cabinet ministers whom rumour-mongers believe to be on the verge of axing, D P Dhar, Bhola Paswan, Raj Bahadur, Tripathi, Chattopadhyaya, Karan Singh, L N Misra, and lesser fry like Raghunath Reddy,

Khadilkar and such like. Counter rumours warn that the 'Lefties' will be retained to cover the rightward 'tilt', or that Dhar and Karan Singh will survive as pawns to balance the new position of Sheikh Abdullah who is expected to take over in J and K soon. Yet, when all the play has been explored, all that appears to be removable is a Bhola Paswan or a Khadilkar. And who the hell cares.

Perhaps, Indira Gandhi does. In fact, she had better do so now that her gaze is fixed inextricably on the 1976 general elections. The lady at 1, Safdarjang Road, knows that corruption, inflation, and shortages have wrecked her image in the towns as a leader capable of delivering the goods. In the countryside, things are not so bad and will take time to visibly deteriorate. Will she play 'ministers' or will she play 'programmes'? The betting is that programmes require far too much sustained, hard, work for a party based on perks and privileges. So it will be the game of ministers. A big purge, or small purge? It's the last gambit before the next general elections which will be joined by the end of next year.

If only the ruling party could turn its back on cynical and meaningless political gimmicks and focus on a quick operation to restructure the political and administrative system, it would yet be possible to win back the initiative and to attempt a fundamental programmatic approach to the problems of national poverty. We would move away from speechification and concentrate on action where it matters.

The sad fact remains that, at this moment of writing, not a voice rises either within the ruling party or outside to demand the fundamental restructuring of our polity and its basic policies. The politicians of the Right and the Left are content to be the captives of the *status quo*. The high-sounding slogans, whatever their flavour are a cacophony to hide the absence of integrity, sovereignty and dynamics in thinking. Verily, the politician has become a despicable creature even as he enjoys immense patronage — and power, too, in his den.

The initiative for change passes to men respected for their long and dedicated espousal of the people's cause. And so, Jayaprakash Narayan becomes a kind of symbol, of renewal and faith. But the spark is shortlived. Whatever the Gandhians and pseudo-Gandhians may imagine, *gramdan* is no alternative. It is fuzzy and unworkable as experience has shown. Gandhi's heirs betrayed him long ago. A few remain integral, but unable to master the reality around.

The attention of a long-anguished people, seeking some relief from the *presssures of today*, is drifting. Gujarat and Bihar, and Bengal and Tamil Nadu before them, suggest that in desperation support will probably begin to crystallise for local parties — which are narrow and chauvinistic, but also more responsive to local pulls and able to unite wider sections on limited programmes. Whether this implies two levels of political consciousness or dependence on tenuous coalitions at the Centre, remains to be seen. These trends will sharpen as wider and wider sections despair of the capacity of national political formations and of the ruling Congress party in particular.

On the twenty-seventh anniversary of the transfer of power, we are certainly witnessing the twilight of a political and administrative system that is rooted in our colonial past. It cannot work, despite all the invocations. It has to be shaken and drastically restructured. Whoever mobilises for the purpose, will win.

Tailpiece: Here is some compulsory reading for the Council of Ministers: the US best-seller "All the President's Men." And for the Opposition : "Gulag". Two books to stir us and cheer us.

August 15

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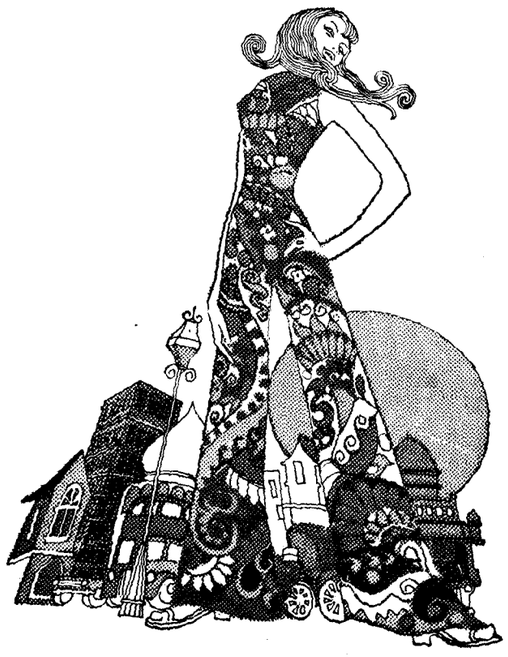
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NEW DELHI

Fumbling in Peril

B M

PRIME Minister Indira Gandhi's ritual address from the ramparts of the Red Fort on August 15 was unusually subdued. Her supporters have commended it for its honest admission of the grave difficulties which engulf the country. Her critics, however, were struck by the fact that for the first time her Independence Day speech contained no tall promises and implied no aggressive posturing. It really indicated the present undercurrent of frustration and failure in the entire government leadership and top administration. For a while, during July, there had been a sudden rash of activity within government which yielded the anti-inflationary 'measures'. By the time the final measure of the claimed 'package' to fight the inflation had emerged — in the form of the Supplementary Budget — and no real effective option seemed open any more, it was clear that even politically the leadership had failed to carry conviction with the masses. Nor could the measures help to arrest the 'inflationary psychology' which was resulting in hoarding and in aggravating the inflationary pressures, since those who were making windfall profits from the situation knew the innocuousness of the government's 'anti-inflationary measures'. Indeed, the government now ruefully admits its general failure to get a grip on the situation.

But the question remains, where will the government go from here? One should not blink away the fumbling and the groping at all levels of the government and administration. Inevitably, such optimism as there is, is based on the slim fact that the worst period will last another two months till the kharif crop comes in. This period has, therefore, to be tided over by arranging for sizeable imports of foodgrains in whatever way possible. While concessional imports, whether from the Soviet Union or the US, would be most welcome, there is little hope of getting them. Commercial imports will, therefore, have to be arranged. Foreign exchange availability is not, at least this year, seen as the major bottleneck, and in any case the managers of the foreign exchange economy cannot afford to worry overmuch about next year's balances. At least, the political leadership seems to have realised that it is unwise to write off public distribution of foodgrains. The key issue, therefore, is whether the government will maintain or increase the procurement prices for the coming kharif crop. After the whopping increase of 25 per cent that wheat prices were given earlier this year, there may be continued hopes and pressures on government for further increases — which, if resisted might offend, or at least disappoint, the surplus farmers.

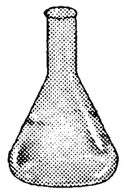
The price spiral has hit very hard the fixed-income groups and the urban middle class. The political loyalty of this section for the established leadership was already on the wane. Now it has well-nigh disappeared. The government had calculated that there could be no additional risk in attempting to pass on the burdens of the gathering economic crisis to this section alone. It also believed that the organised urban working class — blue collar and white collar — had managed to secure their position and were draining off the surpluses in the economy without working hard enough, and that much of the trouble with industrial production was therefore on this account. The leadership thus thought it possible — almost necessary — to dispense with the political support of this section as well as of the urban middle classes. The success in crushing the railwaymen's strike in fact emboldened it to impose the partial wage and DA freeze. The leadership was, on the other hand, very reluctant to do anything to alienate its widely enmeshed rural base. This was made very explicit at the full meeting of the Planning Commission in May, when the question of raising additional resources — more specially from the farm sector — was pointedly raised. Indira Gandhi severely admonished the planners and the economic experts for ignoring the political constraints in all their glib talk of taxing the farm sector. However, with the further deepening of the economic crisis and its options closing in on it, the leadership, it seems, has been forced to reconsider its stand.

The reconsideration follows the laborious exercises to find some way of keeping the Fifth Plan at least partially afloat — for which purpose the government must be seen to have made at least a partial dent on the price situation. The Finance Ministry had agreed only most reluctantly to the credit squeeze on the private corporate sector and to the introduction of the supplementary budget. The Finance Ministry's argument was that the stifle radicalism which had ruled policy-making by Yojana Bhavan over several years and which had throttled the productive forces in the private sector must be cast aside and the private sector be unfettered to allow for greater economic activity. It was this view of the economy which was embodied in the main budget of the current year. A harsh supplementary budget and credit squeeze were, therefore, regarded by the Finance Ministry as going counter to the main thrust of its policy. But the economic situation has deteriorated so rapidly in recent months that it is now admitted in Finance Ministry circles that stagnation in industrial investment and production will remain for at least two or three years to come. First priority will, therefore, have to be given to making the public sector more productive and to improving the infrastructural facilities for private enterprise. It thus comes back to the problem of finding resources for public sector investment — and these are nowhere in sight.

Controversy between the Finance Ministry and the Planning Commission has hence become meaningless. The two are even beginning to act in concert in several respects: Both have, for instance, agreed that the definition of the core sector will have to be revised for operational purposes. The core sector has been narrowed down to power, coal, and fertiliser. Since the scope for having any significant impact on fertiliser availability is limited, the core sector effectively means only power and coal. Steel and several other industries which in better times might have been regarded as being in the core sector are certainly out. Both the Planning Commission and the Finance Ministry are also labouring enthusiastically to locate resources for the agreed plan investments for the core sector. Here there are differences, but they are minor ones: the Planning Commission has talked of an across-the-board cut of 10 per cent in non-Plan expenditures, while the Finance Ministry has advocated an across-the-board cut of 10 per cent in the non-core sector of the Plan. However, when the so-called economies in government expenditures were explored, it was agreed that neither of the two alternatives was feasible!

Since not much had been *committed*, anyway, to non-plan expenditure, little could be saved there: rising defence expenditure and even more sharply increasing expenditure on the police were simply not amenable to cuts. Economies elsewhere were contingent upon large-scale retrenchment of government

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staff, which was politically impossible. What remains is hardly Rs 900 crores out of a total non-plan budget of Rs 4,400 crores. Tinkering with this sum too would involve further reductions in salary and DA bills of the employees. The only area, then, for effecting economies can be the provision of Rs 26 crores for travelling allowance to officers and Rs 45 crores for stationery and other office expenses! Ironically, the Finance Ministry can claim to have already effected the maximum economy on these counts, and saved the princely sum of Rs 50 crores — as against the yet gaping deficit of Rs 600 crores in the budget. According to present calculations, a deterioration of Rs 250 crores is attributable to the railways, Rs 125 crores to defence, Rs 225 crores to food and fertiliser subsidies, and another Rs 60 crores to DA instalments (without taking into account the sum that will be immobilised, while figuring as expenditure in the books of the Central government). This aggregates nearly Rs 750 crores. The supplementary budget will provide only Rs 136 crores. Though industrial production will remain stagnant, revenue from excise duties and customs duties is not expected to deteriorate — as happened last year — and might even improve because of the sizeable price increases of industrial goods and the *ad valorem* duties on these. Thus a gap of Rs 600 crores remains. If the commitment to contain deficit financing within the originally budgeted figure of Rs 125 crores is to stand, there will be no escape from cutting the Plan outlay. As against the suggestion of the Finance Ministry to straightaway cut 10 per cent of the non-core plan outlay, the Cabinet Secretary who headed the committee for examining the plan outlays has proposed, as a compromise, its diversion of Rs 150 crores from the non-core to the core sector of the plan. All this is, of course, jugglery.

The question of raising additional resources from the farm sector has thus been pushed back to the centre of the stage. At the same time, it is suggested that it is always open to the governmen to resile from the commitment on deficit financing. If the kharif prices are not raised, if the foreign trade position remains somewhat stable, and if there is no repetition of shocks to the balance of payments from abroad, such as resulted from the hike in oil prices, it may indeed be possible to absorb a larger dose of deficit financing. It is also argued that, since the credit squeeze will hold rigorously for the private sector, there will be greater room for using created money in crucial areas of activity in the public sector.

Meanwhile, though the need to recover resources from agriculture is accepted in principle, the crucial question that remains unclarified is how the farm situation can be stabilised and investment and production on the farms encouraged particularly by those who produce and control the surpluses for the market. It is being urged on the leadership that it should take some risk here and halt the hike in the prices of agricultural commodities while at the same time recovering revenues from the farm sector by all available means. After all, it is suggested, marketed surpluses both of kharif and rabi come from only a small part of the country — Punjab, Haryana and Western UP — which are also the regions posing the least political risks.

The Great Disorder under the Heavens:

China's View of the World Today

G P Deshpande

EVER since the fall of Lin Piao in 1971, China's view of the world had been a little hazy. The confidence with which the ninth Congress of the CCP in 1969 proclaimed the imminent doom of imperialism seemed to have disappeared into thin air. Lin Piao's fall created serious problems for the Chinese Communist Party in every sphere. It was, of course, to be expected that the Chinese world-view would reflect the inner tensions of the Party. The tenth Congress, therefore, made a very provisional assessment of the world situation, by giving a hearing to and endorsing Chou En-lai's speech talking of 'disorder' everywhere. It must have endorsed with utmost hesitation, however, his further observation that disorder was good; for, though the disorder within China since the anti-Lin Piao and the anti-Confucius campaign was of manageable proportions, it has always threatened to be menacing. The search for right solutions, the 'right way', had been on for some time. Lin Piao's legacy had to be lived down as much in domestic affairs as in foreign affairs.

The most notable contribution of Lin Piao was his famous 1965 essay "Long Live the Victory of the Peoples' War". The scenario there was of the world divided into 'cities', 'countryside', and the 'intermediate zones.' The idea was that the countryside would ultimately triumph over the cities. So far, in the anti-Confucian and anti-Lin Piao campaign, no attacks have been made on this essay. The tenth Congress, which spoke of the increasing disorder everywhere, neither challenged the political report of the ninth Congress (presented by Lin Piao), nor offered an alternative view of the world.

Now it appears that an alternative view of the world is slowly emerging. It is not an alternative so much as it is a further elaboration — or rather revision — of the 1965 thesis; and more categorical perhaps, Lin Piao seems to survive even in condemnation! The problem with the 1965 thesis was the rather ambiguous position it assigned to the 'socialist camp'. It clearly implied the increasing importance of the world-countryside and the comparative receding of the 'socialist camp'.

With 1968, China moved one step forward. Following the Soviet intervention in Czechoslovakia, the concept of 'social imperialism' came to the fore. The implication, then, was that 'social imperialism' was the last stage of revisionism. Nevertheless, the ideological formulations on 'social imperialism' remained a little obscure compared to the tensions in Sino-Soviet State-relations. The attacks were unsparing. The style of diplomacy was shrill and noisy. But the Chinese appeared to have no time or inclination for ideological questions. The ideological polemics of the early sixties appeared to have been replaced by inter-State quarrels. The Ussuri crisis of 1969 underlined the security and territorial aspects of the Sino-Soviet dispute.

The Cultural Revolution was an assault on revisionism at home. Yet, throughout 1966-69, we do not find any sustained effort on the part of the Chinese to relate 'social imperialism' with the 'return to capitalism' within the Soviet Union. The Chinese preoccupation with the domestic turmoil probably prevented that.

The first serious attempts to relate 'social imperialism' to what the Chinese describe as 'return to capitalism' were made only a year and a half ago. In September last year, *Peking Review* carried an article commemorating the anniversary of the publication of Lenin's thesis on imperialism. This article quoted Lenin to show that, after a certain stage of development, capitalism will cover in its expansionist sweep even the industrially advanced States. In the Chinese view, the Soviet 'expansion'

in Czechoslovakia was clearly an example of this trend. The article talked of two expansionist capitalisms: Monopoly capitalism of the US and State capitalism of the Soviet Union, leading to two imperialisms: capital imperialism of the USA and social imperialism of the USSR.

The direction of Chinese thought was now more definite. Chinese thinking was inexorably leading towards the conclusion that the socialist bloc was now a misnomer. The Soviet Union was not a socialist State. The socialist bloc had once existed. Now it was disintegrating. It was a question of time as to when it would finally disappear. This does not mean that there will never again be a socialist bloc. It will surely rise again, like a phoenix, but the Chinese might argue that the phoenix will be reborn out of the ashes of the present-day revisionists!

Meanwhile, the world has to contend with capitalism and the consequent imperialism. When Kenneth Kaunda was in Peking, the new line was officially proclaimed. The problem, the Chinese argued with their guest, was the greedy drive of capitalism for neo-colonies and markets. The communique, interestingly, did not make any distinction between the two varieties of imperialism. The Chinese insisted that 'imperialism' was the enemy. 'Capital imperialism' and 'social imperialism' were two aspects of one phenomenon.

In April, this year, the Chinese have gone a step further to make explicit their perception of world reality.

Teng Hsiao-ping, the former General Secretary of the Chinese Communist Party who was discredited during the Cultural Revolution, and who has now reappeared on the Chinese political scene, went to New York to participate in the special session of the UN on raw materials and development. He spoke there on April 10. The speech is important, because it stated the Chinese view of the world in very definite terms.

Teng Hsiao-ping began by saying that "the whole world is in turbulence and unrest .... In this situation ... all the political forces in the world have undergone drastic division and realignment through prolonged trials of strength and struggle ...".

What are the special features of this situation of what Teng described using a traditional Chinese phrase as "the great disorder under heaven"? First, "the socialist camp is no longer in existence". It did exist, Teng conceded, for a short period of time after the Second World War. He, of course, avoided saying when the disintegration of the socialist camp began and ended. What mattered to him was that its disintegration was now an accomplished fact.

Secondly, the Western imperialist camp' is likewise disintegrating. Evidently, the process of disintegration was not complete. This would clearly mean that, while the organised 'camp' strength behind the Soviet Union is no longer in existence, the US is still not entirely without allies — which in turn implies that the Soviet position is comparatively vulnerable.

Teng did not bother to elaborate on the implications of his position. The reason why the Chinese would not talk of this goes back to the late fifties. It was then that the consolidation of 'socialist power' led both Khrushchev and Mao to draw exactly opposite and partially false conclusions.

While Khrushchev thought the new Soviet power gave him a position of advantage in dealing with the US and the Western bloc, the Soviets have probably now realised that Khrushchev was clearly painting a rosier picture than the situation warranted. The so-called detente has only resulted in further consolidation of American power everywhere: from Bolivia to Cyprus. The Soviet Union, on the other hard, needs the detente badly, and yet cannot really turn it to its advantage.

Mao and his comrades too misread the 'power' of the socialist camp. In 1958, it was too early to proclaim that 'the East Wind was blowing over the West Wind'. This was then (and probably still is) at best a hope, and could have scarcely been the basis of a viable foreign policy of the socialist bloc.

However, Mao still erred on the safe side. Khrushchev did not. The result has been the pathetic attempts of Soviet commentators to explain away almost everything which would be a barrier between the USSR and the US. It has become a habit: even the Watergate affair has to be no more than a "Democrats' conspiracy". The utter dependence of the Soviet Union on American goodwill is now complete.

But equally, the contradiction between the USSR and the US has been and will get more and more acute, emphasising the receding Soviet position in international relations. Teng Hsiao-ping is in effect arguing that the 'revisionists' are now locked up in a love-hate relationship with the US. They, in short, represent the 'exploiters and oppressors' of today's international system. The socialist camp, therefore, naturally does not exist. It is dead. The certificate can be obtained from Teng Hsiao-ping.

Chinese foreign policy is in a sense harking back to the period when the only socialist State was threatened by 'international imperialism'. One reason why international imperialism was unable to damage the newly-born socialist State of Russia was that, as Lenin said in 1918, "they had no time for us ... because international imperialism had split into two predatory groups which were at each other's throats". In other words, the contradictions within 'international imperialism' prevented the onslaught on Russia. Evidently, China, too, hopes to escape the onslaught today.

The countries of Asia, Africa, and Latin America, which constitute the third world, have to get together and unite. China is one of them and, Teng assured the General Assembly, will remain one of them. If anything, China is a developing *socialist* State as against some developing *non-socialist* States. Chou En-lai, at the banquet in honour of King Birendra in December last year, said: "China is a developing socialist country and belongs to the Third World".

The two worlds thus are clearly defined. China belongs to the third world. The US and the USSR constitute the first world of 'oppressors and exploiters'. Who constitutes the second world?

Here a significant departure from Lin Piao's position is in evidence. While Lin Piao talked of two intermediate zones, Teng Hsiao-ping does not. For him, the imperial powers and the developing powers are separated by the developed powers. The relationship between the second and the third world is a 'complicated one'. Teng goes on to add:

> "Some of them still retain colonialist relations in one form or another within the Third World countries — at the same time, these developed countries are in varying degrees controlled, threatened, or bullied by the one super-power or the other. Some of them have in fact been reduced by a super-power enslavement or control and safeguarding their national independence and the integrity of their sovereignty".

The Second World, thus, is as much a victim of super-power dominance as is the Third World. The new Chinese perception therefore postulates the principal contradiction between the two super-powers which constitute the First World and the two other Worlds of the developed States and the developing States.

There was enough evidence that the Chinese were working on this assumption. Between Chou En-lai and Teng Hsiao-ping the new formulation has now been formally proclaimed. The new directions in China's foreign policy have now been rather clearly defined. Was it not Mao who said that the first task of a revolutionary is to find out who is his enemy and who is his friend? He seems to have answered the question in clear categorical terms now.

Some Aspects of Inter-Sectoral Resource Flow

Ranjit Sau

This paper reports some preliminary findings on the flows between agriculture and industry, or rural and urban sectors, on both current capital accounts. It gives an estimate of the consumption of 'industrial' and 'agricultural' goods in rural and urban areas over the years from 1952-53 to 1964-65. With these figures it would be possible to construct a major part of the trade between agriculture and industry, or between rural and urban sectors.

Apart from shedding light on the issue of inter-sectoral flows, this paper shows that the market for industrial consumption goods in India is, in a sense, shrinking: the percentage of per capita consumer expenditure spent on industrial goods is declining over the years, rather sharply in rural India and mildly in urban. Among various fractile groups of population, the ones at the bottom are increasingly withdrawing from the market for industrial consumer goods. In a word, Indian industry is fast approaching the walls of a restricted market. Although the data presented here cover the period upto only 1964-65, there is no reason to believe that the trend has been arrested since then; in fact, it might have been accelerated further.

THE early phase of industrialisation in Japan as well as in the Soviet Union is believed to have been sustained by a net resource flow out of the agricultural sector into industry. By sharp contrast, the position today in China and India is claimed to be just the reverse: resources are flowing into agriculture from industry.[1]

The modality varies. Japan extracted capital from agriculture mainly through fiscal means; while England worked through the terms of trade. During the period 1700 to 1850, redistribution of income in England came about intermittantly through unfavourable terms of trade for agriculture.

It is but a short step to shift from the axes of 'agriculture-industry' to the co-ordinates of 'rural and urban', and then to correlate the inter-sectoral flow of resources with the exigencies of the prevailing political system. Before doing such an exercise in political correlation analysis one should however look into the flows between agriculture and industry, or rural and urban sectors, on both current and capital accounts. This paper reports some preliminary findings in this respect. It gives an estimate of the consumption of 'industrial' and 'agricultural' goods in rural and urban areas of India over the years from 1952-53 to 1964-65. With these figures it would be possible to construct a major part of the trade between agriculture and industry, or between rural and urban sectors.

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I
Methodology

National Sample Survey (NSS) is the main source of our data. It gives itemwise consumer expenditure for the following: (a) foodgrains, (b) milk and milk products, (c) meat, egg and fish, (d) edible oil, (e) sugar, (f) salt, (g) other food, (h) clothing, (i) fuel and light, (j) miscellaneous, (k) rent, and (l) taxes. By *industrial goods* we mean items (d) to (j), except that only three-fourths of item (g), namely, other food, is included under this category, the remaining one-fourth of it being considered as non-industrial, that is, agricultural product.[3] Agricultural goods

TABLE 1 : PERCENTAGE OF PER CAPITA CONSUMER EXPENDITURE SPENT ON INDUSTRIAL GOODS IN RURAL INDIA

(Per Cent)

Population Fractile	1952-3	1953-4	1954-5	1955-6	1956-7	1957-8	1959-60	1960-1	1961-2	1963-4	1964-5
Poorest 0-5	39.44	31.24	36.14	36.29	33.35	32.62	31.15	32.46	29.41	30.72	28.28
5-10	39.44	31.24	36.14	36.29	33.35	32.62	33.41	32.57	30.15	31.02	25.10
10-20	38.91	37.24	36.14	36.29	33.26	32.50	35.67	32.69	30.89	31.96	28.90
20-30	40.25	37.24	36.78	37.76	33.18	32.41	35.68	33.10	33.00	33.53	28.83
30-40	42.21	34.81	37.42	39 24	32.36	36.91	36.30	36.59	33.83	36.08	30.60
40-50	39.46	37.94	38.84	37.66	34.30	38.59	36.83	37.92	37.88	38.32	31.17
50-60	40.99	40.86	40.79	40.55	36.23	39.69	37.37	40.58	37.85	39.40	32.62
60-70	42.74	42.37	43.32	43.19	39.35	41.52	41.64	42.54	41.71	41.49	36.36
70-80	44.98	44.65	49.13	44.65	40.96	44.22	43.47	46.40	47.44	44.32	39.28
80-90	47.20	53.15	48.67	47.29	46.46	48.67	44.93	49.11	50.45	48.09	42.74
90-95	53.01	55.96	54.69	51.91	47.91	51.79	49.72	55.41	54.92	53.63	49.02
Richest 95-100	61.86	62.51	65.76	61.44	60.84	61.54	63 05	68.95	65.51	59.22	62.00
All	46.66	46.38	47.27	46 99	43.08	45.52	45.08	46.87	45.67	44.04	40.17



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TABLE 2 : PERCENTAGE OF PER CAPITA CONSUMER EXPENDITURE SPENT ON INDUSTRIAL GOODS IN RURAL INDIA

(Per Cent)

Population Fractile	1952-3	1953-4	1954-5	1955-6	1956-7	1957-8	1959-60	1960-6	1963-4	1964-5
Poorest										
0-5	41.30	31.68	39.96	36.61	36.92	38.51	39.79	33.75	34.24	36.52
5-10	43.69	36.90	39.96	38.30	36.96	39.04	38.29	39.12	38.67	37h21
10-20	45.65	42.12	40.59	39.98	38.73	39.83	40.61	43.23	39.05	37.89
20-30	47.34	41.11	46.38	43.88	41.38	43.31	43.43	44.53	43.10	39.46
30-40	50.39	43.59	46.22	45.49	42.58	44.35	45.44	46.35	43.83	40.35
40-50	50.29	44.61	47.44	48.28	45.13	46 31	47.52	47.14	46.79	43.34
50-60	53.15	46.15	48.33	49.93	48.15	49.54	49.48	50.24	50.99	44.53
60-70	55.84	49.61	54.35	52.40	50.13	50.51	50.43	51.56	51.74	45.72
70-80	55.87	49.56	55.95	54.36	52.92	53.18	53.17	54.88	54.39	46.49
80-90	62.22	56.36	57.72	56.06	54.96	56.04	56.04	59.31	60.31	55.24
90-95	66.37	60.51	66.12	57.02	66.68	62.50	60.95	62.53	61.93	56.48
Richest 95-100	75.00	65.00	70.00	66.10	75.00	67.29	70.00	70.00	69.53	70.33
All	58.02	52.04	56.91	54.74	55.16	54.09	54.40	55.14	55.51	52.66

is defined to consist of the first three items together with one-fourth of item (g).

Industrial goods as defined above are not necessarily produced in a factory, nor can they be always identified as urban products, Sugar which is here classified as an industrial good, for instance, consists of gur, sugar candy and sugar. But gur is typically produced in rural areas. Similarly, clothing includes cotton (mill-made, handloom and khadi), wool and silk clothing and bedding and upholstery. Handloom and khadi in particular are supplied by the small-scale cottage industry of rural India. If neither the production in a factory nor the location of their origin in urban areas is the common characteristic of the items classified here as industrial goods, what then is their specificity? The single thread which binds them together is that they are not a direct product of agricultural activity as such.[4] Perhaps a more appropriate term would have been 'non-agricultural goods'. But convenience of expression has dictated our choice. These industrial goods, even if they are not all produced in factory today, could be conceivably organised under factory production. If the onslaught of capitalism continues further, in due course they would be brought under the factory system. Although the classification adopted here is therefore crude from the operational point of view, it is quite clear conceptually.

NSS data are available for twelve expenditure groups.[5] For each expenditure group the percentage of per capita consumer expenditure spent on industrial goods is computed. Next, the per capita consumer expenditure of various fractile groups of population is calculated.[6] Now, for matching the NSS expenditure groups with fractile groups of population the per capita consumer expenditure is used as the indicator. In 1964-65, for instance, the rural population fractile group 70-80 had a per capita monthly consumer expenditure of Rs 30.91; while the expenditure group Rs 28-34 in NSS 19th Round (July 1964/June 1965) had Rs 30.51. So we shall say that the consumption pattern of the former is similar to that of the latter. The expenditure group of Rs 28-34 spent 39.28 per cent of its per capita consumption on industrial goods. Accordingly, it is assumed that the fractile group 70-80 also did the same.[7]

Where such close correspondence between the two figures of per capita consumption was not found, interpolation was resorted to, by simple average of the percentages in the two adjoining, relevant expenditure groups.

In a few later years the per capita consumer expenditure of the richest 5 per cent of urban population was well above that of the top expenditure group, namely, Rs 55 and above, or Rs 75 and above as the case may be.

TABLE 3 : PERCENTAGE OF CONSUMPTION OF INDUSTRIAL GOODS BY FRACTILE GROUPS IN RURAL INDIA

(Per Cent)

Population Fractile	1952-3	1953-4	1954-5	1955-6	1956-7	1957-8	1959-60	1960-1	1961-2	1963-4	1964-5
Poorest											
0.-5	1.04	0.82	0.97	1.00	1.09	0.99	1.08	0.99	0.87	1.05	1.04
5-10	1.44	1.25	1.28	1.35	1.49	1.14	1.62	1.33	1.23	1.46	1.26
10-20	3.67	3.71	3.18	3.41	3.65	3.34	4.20	3.55	3.26	3.67	3.61
20-30	4.81	4.48	4.02	4.49	4.42	4.02	4.95	4.05	4.11	4.67	4.38
30-40	6.06	4.75	4.83	5.55	4.99	5.38	5.76	5.20	5.03	5.85	5.40
40-50	6.56	6.04	5.78	6.16	6.09	6.51	6.60	6.11	6.56	7.10	6.33
50-60	7.70	7.45	7.04	7.76	7.34	7.66	7.49	7.49	7.57	8.34	7.60
60-70	9.26	9.10	8.87	9.77	9.19	9.25	9.53	8.95	9.64	10.09	9.71
70-80	11.66	11.36	12.19	12.23	11.31	11.67	11.90	11.46	12.97	12.50	12.24
80-90	15.14	17.07	15.43	15.89	15.80	15.91	14.81	15.30	17.00	16.45	16.24
90-95	10.97	11.48	11.34	11.01	10.37	10.82	10.19	11.13	11.62	11.28	11.49
95-100	21.69	22.49	25.07	21.38	24.24	23.11	21.87	24.44	20.14	17.54	20.70
All	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

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TABLE 4 : PERCENTAGE OF CONSUMPTION OF INDUSTRIAL GOODS BY FRACTILE GROUPS IN URBAN IND A

(Per Cent)

Population Fractile	1952-3	1953-4	1954-5	1955-6	1956-7	1957-8	1959-60	1060-1	1963-4	1964-5
Poorest										
0-5	0.81	0.71	0.82	0.88	0.82	0.92	1.08	0.82	0.87	1.02
5-10	1.16	1.16	1.09	1.21	1.10	1.26	1.33	1.28	1.29	1.29
10-20	3.05	3.21	2.80	3.09	2.88	3.16	3.40	3.41	3.19	3.22
20-30	3.92	3.90	4.00	4.08	3.77	4.22	4.35	4.29	4.08	3.89
30-40	4.95	5.05	4.67	5.07	4.57	5.10	5.26	5.23	4.85	4 69
40-50	5.83	5.95	5.68	6.26	5.61	6.30	6.30	6.10	5.94	5.79
50-60	7.28	7.20	6.90	7.81	6.93	7.80	7.53	7.49	7.42	6.89
60-70	9.26	9.11	9.17	9.81	8.48	9.40	9.07	8.91	8.77	8.24
70-80	11.02	11.15	11.70	12.62	10.87	11.77	11.59	11.65	11.24	9.97
80-90	15.92	17.46	15.99	16.50	15.04	16.26	15.86	16.55	17.36	15.72
90-95	12.09	12.60	12.51	10.99	12.32	12.23	11.36	11.88	12.68	10.88
Richest										
95-100	24.69	22.50	24.66	21.67	27.61	21.57	22.90	22.39	22.30	28.39
All	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100 00

In these cases the percentage of consumer expenditure spent on industrial goods by the former has been derived by adding certain percentage points to that of the latter.

Per capita consumer expenditure, and the proportion of expenditure on industrial goods thus having been known, the calculation of the absolute amount of industrial goods consumed, at current prices, is a straightforward matter of arithmetic.[8]

II

Shrinking Home Market for Industry

Rural India is gradually reducing the fraction of total expenditure it spends on industrial goods. The decline is far more noticeable for the poorer fractile groups. The lower six deciles spent around two-fifths of their expenditure on industrial goods in 1952-53; twelve years later the ratio was hovering near three-tenths (Table 1). The trend in urban India is very much the same (Table 2).

In the annual aggregate consumption of industrial goods of rural areas, the lower six deciles had lost ground, proportionately (Table 3). The relative position of various fractile groups in urban areas appears to be quite volatile (Table 4). However, the richest 10 per cent of population accounts for 30 to 40 per cent of such consumption in both rural and urban areas.

The base of the market for industrial consumer goods in India is narrowing, despite the rapid growth of industrial production in the country over the last two decades. The concentration of industrial consumer goods is rising at the thin, top layer of the population.

III

Rural-Urban Trade

Tables 5-8 give the estimates, at current prices, of consumption of agricultural and industrial goods in rural and urban areas. For all practical purposes, agricultural goods can be characterised as having its origin in the rural sector alone; but no such identification between industrial goods and the urban sector is permissible, for some of such goods are generated in the rural areas as well.

The rural market for industrial goods is of the order of Rs 3,000 crores to Rs 4,000 crores whereas the corresponding urban market is in the range of Rs 1,000 crores to Rs 1,900 crores (Tables 5 and 7). The preponderance of the rural market is of course largely due to the overwhelming weight of the population it bears and despite the low rate of intake per capita.

The urban market for agricultural goods had more than doubled, from Rs 760 crores in 1952-53 to Rs 1,700 crores in 1964-65, whereas the rural market for industrial goods increased much less from Rs 3,500 crores to Rs 4,500 crores during the same period (Tables 5 and 8). Now if it is assumed that rural India produces industrial goods to meet, say, one-third of its own consumption of industrial goods (and does not export much of industrial goods to urban India), it follows that the rural sector is incurring huge deficit in its trade with the urban sector insofar as consumer goods are concerned. That is to say, the net flow of consumer goods is from the urban to the rural sector in India.

To complete the picture of rural-

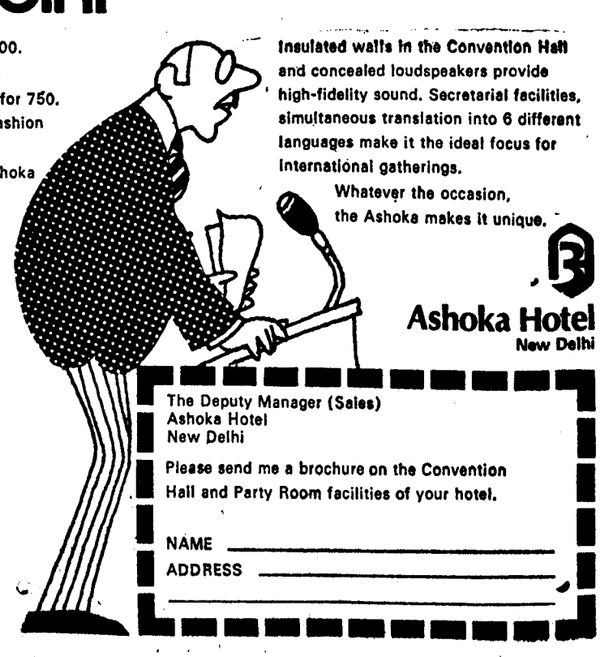
TABLE 5 : CONSUMPTION OF INDUSTRIAL GOODS IN RURAL INDIA BY FRACTILE GROUPS

(Rs 100 crores)

Population Fractile	1952-3	1953-4	1954-5	1955-6	1956-7	1957-8	1959-60	1960-1	1961-2	1963-4	1964-5
Poorest											
0-5	0.370	0.249	0.269	0.272	0.316	0.331	0 372	0.431	0.373	0.469	0.471
5-10	0.512	0.380	0.356	0.365	0.431	0.454	0.557	0.578	0.530	0.649	0.571
10-20	1.305	1.124	0.888	0.924	1 054	1.124	1.445	1.536	1.405	1 638	1.633
20-30	1.710	1.359	1.121	1.217	1.275	1.350	1.704	1.753	1.770	2 082	1.982
30-40	2.154	1.440	1.348	1.504	1.441	1.809	1.985	2.250	2.164	2 607	2.444
40-50	2.331	1.831	1.613	1.669	1.758	2.189	2 272	2.647	2.825	3.165	2.863
50-60	2.737	2.258	1.965	2.103	2.119	2.575	2.580	3.247	3.257	3.716	3.440
60-70	3.291	2.755	2.475	2.646	2.654	3.109	3.282	3.878	4.150	4.496	4.393
70-80	4.141	3.443	3.400	3.313	3.266	3.924	4.099	4.962	3.584	5.569	5.538
80-90	5.378	5.172	4.305	4.307	4.562	5.351	5.100	6.626	7 314	7.330	7.348
90-95	3.897	3.478	3.164	2.984	2.993	3.640	3.510	4.822	5 000	5.025	5.196
Richest											
95-100	7.704	6.808	6.996	5.796	6.999	7.770	7.534	10.585	8.665	7.818	9.359
All	35.531	30.296	27.901	27.101	28.870	33.626	34.440	43.315	43.037	44.563	45.238

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TABLE 6 : CONSUMPTION OF AGRICULTURAL GOODS IN RURAL INDIA BY FRACTILE GROUPS

(Rs 100 crores)

Population Fractile	1952-3	1953-4	1954-5	1955-6	1956-7	1957-8	1959-60	1960-1	1961-2	1963-4	1964-5
Poorest											
0-5	0.559	0.547	0.475	0.477	0.632	0.683	0.824	0.897	0.895	1.056	1.194
5-10	0.774	0.834	0.628	0.642	0.861	0.936	1.109	1.197	1.226	1.439	1.705
10-20	2.015	1.880	1.565	1.622	2.114	2.191	2.606	3.161	3.140	3.479	4.017
20-30	2.484	2.273	1.920	2.001	2.564	2.812	3.072	3.541	3.593	4.119	4.890
30-40	2.886	2.769	2.246	2.316	3.011	3.083	3.480	3.893	4.226	4.606	5.540
40-50	3.484	2.975	2.519	2.756	3.364	3.472	3.891	4.323	4.636	5.703	6.319
50-60	3.862	3.258	2.837	3.073	3.724	3.881	4.315	4.740	5.322	5.689	7.100
60-70	4.256	3.730	3.211	3.455	4.069	4.352	4.592	5.231	5.793	6.309	7.674
70-80	4.786	4.245	3.474	4.066	4.682	4.909	5.309	5.700	6.150	6.958	8.549
80-90	5.722	4.547	4.472	4.781	5.229	5.993	6.224	6.821	7.118	7.851	9.802
90-95	3.303	2.583	2.589	2.751	3.245	3.335	3.536	3.825	4.406	4.270	5.353
Richest 95-100	4.237	4.020	3.367	3.538	4.377	4.739	4.341	4.721	4.436	5.011	5.615
All	38.669	33.661	29.304	31.477	37.873	39.985	43.299	48.049	48.592	55.861	67.758

urban trade, one of course has to consider other flows also such as jute, oilseeds, cotton, cement, fertiliser, machinery and so on. But these magnitudes are not likely to change the qualitative nature of the balance of trade. In any case, work is in progress to quantify these flows.

IV

In Lieu of Conclusion

Our definition of industrial goods in terms of the NSS items of consumer expenditure is broad enough to include all non-agricultural products, from home-spun khadi to the motor car that is produced in the most sophisticated factory. Yet, the rural and urban consumers are found to be reducing the proportion of their expenditure on such industrial goods. Could it be that, foodgrains being the first charge on a consumer's budget, the relative rise in foodgrains prices is eating into the market for industrial goods? Indeed the close association between the upward movement of foodgrains prices and the slump in the demand for cotton textile has been observed many a time. Secondly, there is the inequality of income distribution, which stands in the way of expansion of the market for industrial goods at the lower stratum of the population.

Factory production has been replacing cottage and small-scale operations for many a consumer item. Some of the items included in the definition of industrial goods here yet continue to be allied with the agricultural activities of a family. But in principle they can be separated from agriculture and brought under the system of factory production; in course of time it may actually so happen. The category of industrial goods adopted here is broad enough to encompass all non-agricultural products. Should the classification be narrowed down to only factory-made goods, the decline in the proportion of expenditure on industrial goods may even be all the more glaring. For, in case foodgrains become more expensive and thus erode a consumer's budget for industrial goods, the axe falls first on factory-made goods before it cuts into the demand for the produce of a form- or family-related activity. If he has now less to spend, the consumer would switch from sugar to gur, for example.

It is widely held that NSS data under-estimate the consumption of the richer section of the population. If so, the increasing degree of concentration that is observed in the consumption of industrial goods may even be actually higher than what is reported here.

There are discrepancies between the NSS and the Central Statistical Organisation of the Government of India insofar as the estimate of the private consumer expenditure is concerned. We are now doing alternative calculations with the CSO data as well. But the general conclusions reached so far are not going to be affected.

Notes

[Research assistance of Ratan Ghosh and Manaswita Sanyal is acknowledged, without ascribing any responsibility for the finding here].

1 Shigeru Ishikawa, "Economic Development in Asian Perspective" (1967), Ch 4, See also John W Mellor, "Accelerated Growth in Agricultural Production and the Intersectoral Transfer of Resour-

TABLE 7 : CONSUMPTION OF INDUSTRIAL GOODS IN URBAN INDIA BY FRACTILE GROUPS

(Rs 100 Crores)

Population Fractile'	1952-3	1953-4	1954-5	1955-6	1956-7	1957-8	1959-60	1960-1	1963-4	1964-5
Poorest										
0-5	0.105	0.070	0.092	0.092	0.099	0.109	0.139	0.125	0.162	0.196
5-10	0.151	0.114	0.122	0.127	0.133	0.148	0.177	0.196	0.239	0.248
10-20	0.398	0.316	0.314	0.324	0.347	0.371	0.452	0.521	0.593	0.615
20-30	0.512	0.384	0.448	0.427	0.454	0.495	0.578	0.657	0.758	0.743
30-40	0.646	0.498	0.524	0.531	0.552	0.600	0.699	0.799	0.902	0.896
40-50	0.761	0.587	0.637	0.656	0.677	0.740	0.836	0.932	1.103	1.106
50-60	0.950	0.710	0.774	0.818	0.837	0.916	1.001	1.146	1.380	1.317
60-70	1.208	0.898	1.029	1.028	1.024	1.104	1.205	1.362	1.629	1.575
70-80	1.437	1.099	1.312	1.322	1.311	1.383	1.540	1.782	2.090	1.907
80-90	2.076	1.721	1.793	1.729	1.814	1.910	2.106	2.531	3.226	3.006
90-95	1.577	1.242	1.403	1.151	1.487	1.436	1.508	1.816	2.355	2.080
Richest 95-100	3.220	2.177	2.766	2.270	3.331	2.534	3.041	3.425	4.145	5.428
All	13.040	9.857	11.215	10.475	12.066	11.747	13.282	15.292	18.583	19.117

TABLE 8 : CONSUMPTION OF AGRICULTURAL GOODS IN URBAN INDIA BY FRACTILE GROUPS

(Rs 100 crores)

Population Fractile	1952-3	1953-4	1954-5	1955-6	1956-7	1957-8	1959-60	1960-1	1963-4	1964-5
Poorest										
0-5	0.144	0.149	0.134	0.154	0.167	0.171	0.207	0.245	0.307	0.339
5-10	0.188	0.194	0.179	0.197	0.223	0.227	0.275	0.301	0.372	0.416
10-20	0.457	0.430	0.446	0.469	0.532	0.543	0.634	0.658	0.892	1.004
20-30	0.547	0.521	0.496	0.511	0.624	0.622	0.725	0.786	0.954	1.132
30-40	0.601	0.636	0.578	0.613	0.714	0.718	0.803	0.878	1.099	1.312
40-50	0.707	0.715	0.656	0.670	0.780	0.793	0.870	0.982	1.177	1.421
50-60	0.778	0.768	0.772	0.778	0.849	0.875	0.956	1.059	1.234	1.609
60-70	0.845	0.842	0.778	0.855	0.949	1.004	1.083	1.193	1.388	1.830
70-80	0.999	1.003	0.931	1.021	1.075	1.116	1.230	1.352	1.580	2.129
80-90	1.053	1.182	1.177	1.153	1.306	1.336	1.504	1.520	1.961	2.258
90-95	0.607	0.660	0.611	0.764	0.631	0.719	0.836	0.922	1.241	1.456
Richest										
95-100	0.644	0.921	0.790	0.937	0.888	1.007	0.956	1.076	1.369	2.163
All	7.569	8.021	7.549	8.122	8.738	9.131	10.079	10.972	13.575	17.067

ces", *Economic Development and Cultural Change* (October 1973), Uma J Lele "Agricultural Resource Transfers and Agricultural Development: A Brief Review of Experience in Japan, England and France", Occasional Paper No 13, Cornell University (June 1970); and T H Lee, "Intersectoral Capital Flows in the Economic Development of Taiwan, 1895-1960".

For the theoretical debate, see Alexander Erlich, "Preobrazhenski and the Economics of Soviet Industrialisation, *Quarterly Journal of Economics* (February 1950); B F Johnston and J W Mellor, "The Role of Agriculture in Economic Development", *American Economic Review* (September 1961).

For recent growth models, see W Arthur Lewis, "Economic Development with Unlimited Supplies of Labour", *The Manchester School* (1954); J C H Fei and G Ranis, "Development of the Labour Surplus Economy: Theory and Policy" (1964); and D W Jorgenson, "The Development of a Dual Economy", *Economic Journal* (1961).

The importance of this issue in India has been also highlighted by S Chakravarty, "Reflections on the Growth Process in the Indian Economy", *Indian Left Review* (June 1974).

2 See Ashok Mitra, "Class Relations and Growth of Output", in B Singh and V B Singh (ed), "Social and Economic Change" (1967) and M Lipton, "Strategy for Agriculture: Urban Bias and Rural Planning", in P Streeten and M Lipton (eds), "The Crisis of Indian Planning" (1968).

3 'Other food' includes pulses and products, vegetables, fruits and nuts, spices, beverages and refreshments. 'Miscellaneous' includes pan and supari, tobacco and products, drugs and intoxicants, amusements and sports, education, medicine, toilets, sundry goods, consumer services, conveyance, ceremonials, furniture, musical instruments, ornaments, domestic utensils, footwear and other durable and semi-durable goods and their repairing expenses including the maintenance of residential houses.

4 This is subject to the qualification that the presence of pan and supari in "miscellaneous items" of consumer expenditure would lead to slight over estimation of industrial goods.

5 The groups are as follows: Rs 0-8, 8-11, 11-13, 13-15, 15-18, 18-21, 21-24, 24-28, 28-34, 34-43, 43-55, and 55 and above. For some later years, further breakdown in the form of Rs 55-75, and Rs 75 and above, are given.

6 Source: Planning Commission, Government of India, Report of the Committee on Distribution of Income and Levels of Living: Part II (1969); NSS Reports on Consumer Expenditure and B S Minhas, "Rural Poverty, Land Redistribution and Development Strategy: Facts and Policy", (Table 1), *Indian Economic Review* (1970). For the methodology see also Ranjit Sau, "Indian Economic Growth" (1973), pp 30-31.

7 In all calculations the following correspondence between NSS rounds and the financial years is assumed: 1964-65 (19th round: July 1964/June 1965), 1963-64 (18th round: February 1963/January 1964), 1961-62 (17th round: September 1961/July 1962), 1960-61 (16th round: July 1960/August 1961), 1959-60 (15th round: July 1959/June 1960), 1957-58 (13th round: September 1957/May 1958), 1956-57 (11th round: August 1956/February 1957), 1955-56 (10th round: December 1955/May 1956), 1954-55 (8th round: July 1954/March 1955), 1953-54 (7th round: October 1953/March 1954), 1952-53 (4th and 5th rounds combined: August-September 1952, and December 1952/March 1953 respectively).

Exception: The consumption patterns of expenditure groups of 10th and 11th rounds are applied on the estimates of monthly per capita consumption of fractile groups as of 9th round (May-November 1955) and 12th round (March-August 1957) respectively for computations relating to the years 1955-56 and 1956-57, for both rural and urban.

For the comparability of data of various rounds see Uma Datta Roy Chowdhury, "Study of Trends in Consumer Expenditure, 1953-54 to 1960-61", *Indian Economic Review* (1967).

8 We have taken census figures of rural and urban population for 1951, 1961 and 1971; the figures for the years in between have been estimated according to the observed growth rate over the decade. Then three-quarters of one year's figure has been added to one quarter of the following year's to convert the data from calendar year to fiscal year.

United Commercial Bank

UNITED COMMERCIAL BANK outdistanced other nationalised banks in 1973 in branch expansion by opening 139 branches. Only two other public sector banks crossed the 100-figure mark. By the end of 1973, UCOBANK had 670 branches in India and 6 branches overseas; 64 per cent of the branches were in rural and semi-urban areas.

Deposits and other accounts of the Bank at the end of 1973 stood at Rs 480.65 crores as against Rs. 416.14 crores in 1972. The contribution of the rural and semi-urban branches was Rs 19.53 crores, forming nearly one third of the total increase in deposits. The advances of the Bank at the end of 1973 was Rs 315.28 crores as against Rs 243.68 crores at the end of 1972. The Bank's advances to the priority and preferred sectors stood at Rs 79.40 crores. Of this, agriculture accounted for Rs 21.60 crores, small-scale industries including transport Rs 26.59 crores, retail trade, professionals, etc, Rs 9.11 crores and exports Rs 22.10 crores. The percentage of advances to priority sector to total Bank advances rose from 24.8 in 1972 to 27.75 in 1973.

Socio-Political Factors and Agricultural Policies

C H Hanumantha Rao

The concept of 'trade-off' between growth and improved distribution is used not only to rationalise and perpetuate the prevailing unequal distribution of agricultural land but also to justify the intensive use (per acre) of scarce inputs like fertilisers and water on large farms and in the developed regions when the social product would be greater by spreading such inputs relatively thinly over a larger number of farms in a wider area. In view of their greater capacity to invest and bear risk, large farmers and the developed regions intensify the use of such inputs producing less than socially optimum output.

With the introduction of High Yielding Varieties, the divergence between the private and the social optimum is likely to have increased because it is now privately profitable to apply fertilisers in much higher doses than before. A similar argument may apply to the use of irrigation water. The concept of 'productive irrigation' which has become popular after the introduction of HYV can be used for rationalising the appropriation of water by the influential sections in water-scarce regions even when it is socially more profitable to spread the use of water relatively thinly. This suspicion arises because in certain cases 'protective irrigation' practised under traditional irrigation systems has been found to be socially productive as it yields a larger total output.

The failure of the current strategy to bring about the promised agricultural growth and employment through the necessary public investments and the redistribution of resources within the agricultural sector has accentuated the problem of unemployment and underemployment in rural areas, particularly because growth of output and employment in the non-agricultural sector has also been slow. The elite has begun to see in this a threat to the existing political system and has, therefore, come out with several ad hoc *crash programmes, such as the Crash Schemes for Rural Employment. Such programmes usually fritter away scarce investible resources and thus widen the resource-gap for developmental programmes.*

Apart from the growing concern with the problem of unemployment, the proliferation of such crash programmes owes very much to their political suitability for the elite. Unlike lumpy investments in projects like major and medium irrigation which are location-bound and which have a long gestation period, Rural Works Programmes offer the promise of immediate gain to a large number of people in wide areas. Secondly, these programmes help those in power to distribute patronage to a large number of middlemen who have to be rewarded and whose services need to be ensured for future.

I

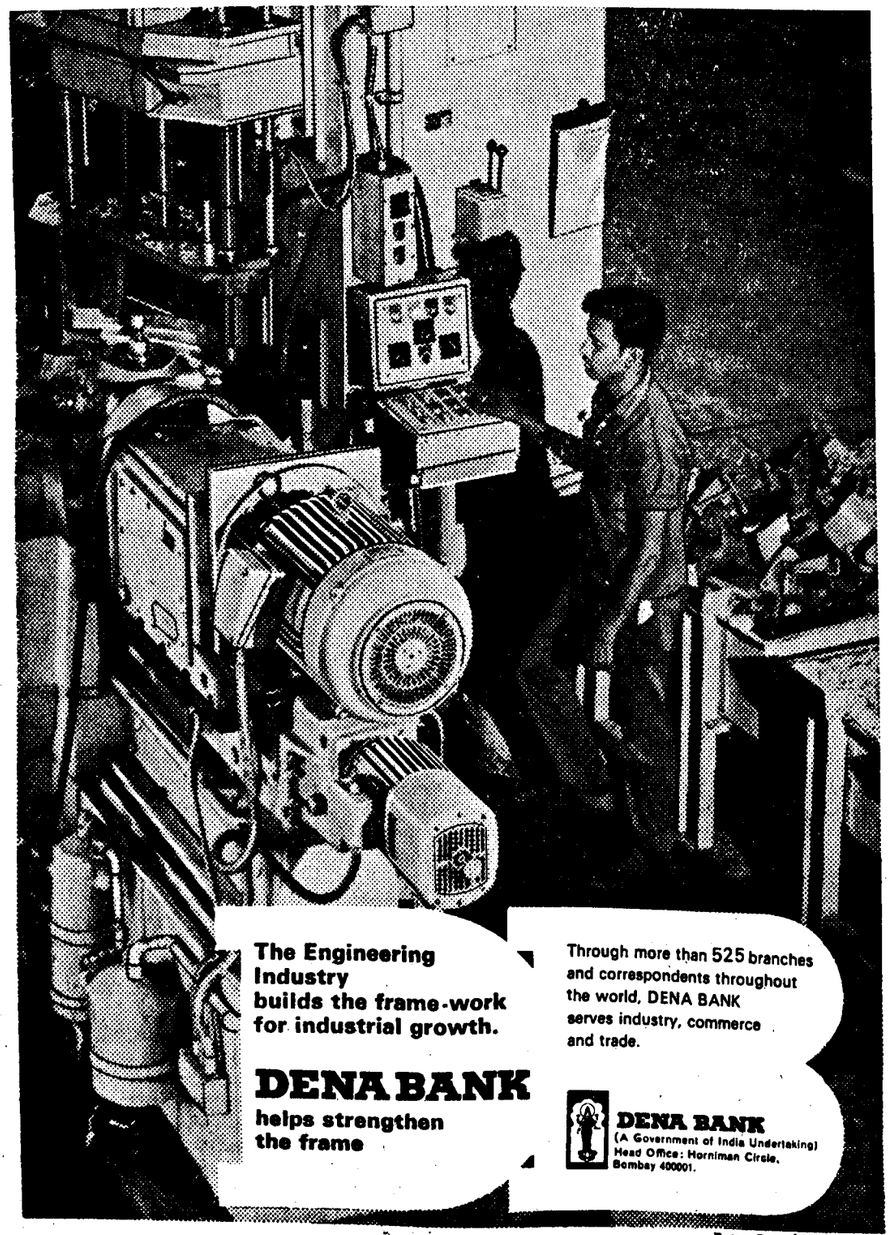
Features of the Prevailing Agricultural Strategy

AGRICULTURAL output has been growing at about 2.5 per cent per annum in the post-Independence period as against a decline in foodgrains output in the 15 years preceding Independence.[1] However, the performance in the post-Independence period should be judged in relation to the requirements as well as the social goals set and not by comparing it with the experience in the colonial past. Besides, a good part of agricultural growth in the post-Independence period is traceable to autonomous factors which are not attributable to conscious public policies. Rather, the latter were very much influenced by the forces generated by the former.

The two major factors accounting for such spontaneity in agricultural performance are the growth of population and the rise of agricultural classes to political power. Population growth has meant an increasing agricultural labour force that is younger and healthier. This contributed to a better exploitation of land through intensive cultivation involving greater use of labour for augmenting irrigation and for multiple cropping, etc.[2] Political power wielded by the rural rich at the district and state levels has meant increasing use of the state machinery and resources for agricultural betterment. This was reflected, for instance, in a significant expansion of credit facilities, though big farmers benefited proportionately more in this process than the small ones. The extension of traditional techniques of farming as well as the adoption of new techniques was very much induced and sustained by the growing demand for agricultural commodities consequent on population growth and urbanisation. This was reflected in the favourable terms of trade that agriculture has enjoyed over a greater part of the plan period.

The deficiency of public investment in agricultural infrastructure,[3] especially in irrigation and land reclamation, is a glaring feature of the prevailing strategy. This deficiency is indicated by the realised growth falling very much short of the targets set in regard to output and the steep rise in the relative prices of agricultural commodities.[4]

Big farmers, who are unable to make intensive use of their available land, are interested not so much in public investment for reclaiming new land[5] as in making intensive use of their available land through greater investment in private wells, fertilisers and farm machinery by using public resources, for example, from credit institutions. Although big farmers from the dry regions have actively worked in the past for major and medium irrigation projects, such efforts seem to have very much slowed down in the recent period. This is because, in the first place, the groups wielding power in quite a few states belong to the prosperous irrigated regions and are not immediately interested in expanding public irrigation to new areas. Secondly, even where dry regions predominate, those in power — who come mainly from the rich farmer class — seem to be reconciled to the paucity of investible resources, because expansion of resources would necessitate, among other measures, taxing



the rural rich. Thirdly, even the available resources tend to get allocated to projects which yield greater benefits for the elite, especially because new technology and rising prices provide profitable alternatives for big farmers such as investment in private wells, fertilisers, etc, by using institutional credit.[6]

This strategy suits the urban elite as well, because they spend a small proportion of their income on food and the loss in their real income as a result of the rise in the prices of agricultural commodities could be more than compensated by the availability of non-agricultural goods and services made possible through greater priority assigned to them in relation to agriculture. The losers in the process are the urban as well as the rural poor, because they spend the bulk of their income on food. So far as investment for any particular sector such as agriculture is concerned, the problem is not so much the paucity of total investible resources as the allocation of the available resources. However, the 'paucity' of resources as well as insufficient allocation to agriculture from the available resources are traceable, in a large measure, to the increase in non-essential consumption by the elite.

The urban elite is, nevertheless, interested in the assured supplies of marketed surpluses of foodgrains and agricultural raw material at 'reasonable' prices. It seeks to solve the problem of shortage of foodgrains arising from insufficient investment in agriculture partly through the public distribution system involving compulsory levies and administered prices — which its rural counterpart has been able to undermine to a large extent[7] — and partly through the concentration of resources, e g, fertilisers in the developed irrigated pockets and large farms where the results are quick, substantial and assured. This is how slow growth of agriculture and the unevenness of gains are interrelated. The two facets of this strategy, *viz*, deficiency of public investment in broadening agricultural base and concentration on prosperous segments, reinforce each other.

II

Role of Economists

Although, the socio-political factors outlined above are mainly responsible for the relative neglect of agriculture, the prevailing thinking among a large body of economists has not been favourable to adequate public investments in agriculture. These economists have naturally been impressed by the experience of countries showing a very high rate of growth in a relatively short period, e g, Japan, Soviet Union and China. They systematise with a considerable degree of sophistication the relationships between the key economic variables in these high-growth economies and then use these models — overlooking the institutional and political framework within which such a high rate of growth was achieved — to prescribe economic policies for developing countries like India. They easily ignore that, unlike these countries, India was embarking upon planned economic development with a much poorer agricultural base, rapidly growing population and a socio-political framework which ruled out concentration of decision-making and compulsion.

For such economists agriculture provides interest mainly as a source of cheap labour, marketed surpluses and tax revenues.[8] Their accent is more on mobilising such resources from agriculture through appropriate institutional devices than on generating surpluses through significant increases in agricultural productivity,[9] as the latter would involve the diversion of scarce investible resources from the 'priority' sectors such as heavy industry.[10] They seldom regard the growth of agricultural sector *as such* as a major source of national income growth or of general welfare.

III

Redistributive Reforms

Policies on land reform, taxation, credit and prices have also been heavily biased towards big farmers who wield considerable political power at the state level and who influence the formulation as well as implementation of such policies. Unlike the Zamindars and the Jagirdars, these rich farmers are rooted in the villages and display considerable drive for modern farming. They wield considerable influence over the peasantry and constitute the social base and 'vote banks' for the ruling party as well as for many of the opposition parties. They neither have the political courage nor feel the need to openly oppose the Central leadership on several schemes of agrarian reform. They, in fact, vote for some of these radical measures but see to it that they become infructuous in implementation. Agriculture being a state subject, they have been in a position to undermine, if not reject, measures which go against their interests and to mobilise state power and resources to subserve their interests.

Owing to the growth of population and to the resulting sub-division of holdings, the amount of land potentially available for redistribution after the imposition of ceilings is not significant, even if the ceilings are not evaded, and the requirements of uneconomic holdings and the landless are too great to be capable of adjustment with any reasonable level of ceilings.[11] The contribution of legislation on ceilings on landholdings so far sonsists not so much in the 'surplus' land that is made available for redistribution as in arresting or slowing down the growth of large-scale (capitalist) farming in agriculture.[12] A substantial contribution of the drive for ceilings is to be found in the sale of land by the big landowners and in their reluctance to acquire more land in future. In such a situation, the land market could have been tilted in favour of the landless and the marginal holders by extending to them long-term, interest-free loans from the public financial institutions, e g, nationalised banks, for the purchase of land. The elite being avowedly committed to the 'free distribution' of land could not take to such a course, nor was it necessary for it to do so because land could be sold at remunerative prices to those who already owned some land.

Likewise, tenancy reforms, e g, security of tenure and the regulation of rents have been, by and large, ineffective. In the absence of effective implementation and owing to the scarcity of land in relation to demand, such legislation has contributed mainly to driving tenancy underground. Attempts to regulate rents without the effective regulation of wages have proved to be self-defeating, because, when the wages are not raised, it is more profitable for landowners to resume land for self-cultivation through hired labour instead of accepting lower rents. Also, they could resume land in many cases by resorting to tractorisation. However, regulation of rents and wages has been difficult in the absence of effective ceilings and redistribution of land. Performance has been dismal on all these counts because of the common socio-political factor, *viz*, the dominance of big farmers.[13] Given the structure of landholdings, however, the practice of tenancy has contributed to efficiency in resource-use and consequently to higher output and employment, because output and employment per acre on

tenanted farms is greater than on large owner farms. At any rate, this practice has not been inequitous in every case because a good part of the land leased out belongs to the small landowners who cannot undertake self-cultivation.

Whereas the rural rich have been arguing against ceiling on landholdings on the plea that there is no similar ceiling on urban property or income, they have not been prepared to accept the tax burden on par with their urban counterparts. Despite the ceiling on the ownership of agricultural land, there are a large number of farmers, especially in the irrigated pockets where technological changes have made an impact, whose incomes exceed Rs 5,000 per annum. Whereas the corresponding income groups in the non-agricultural sector are required to pay Income-Tax, the rural income groups pay direct taxes at present in the form of land revenue which constitutes only about 1 per cent of their farm business income.

Big farmers appropriate institutional credit more than proportionate to their share in land. Small farmers depend essentially on moneylenders including agricultural moneylenders (big farmers) who relend institutional credit to small farmers at high rates of interest and whose advances have increased very much. Contrary to the general belief, big farmers have been greater defaulters in respect of repayment of loans than small farmers: In the case of small credit societies, where big farmers wield considerable influence and power, the percentage of overdues to loans outstanding has been significantly higher among large farmers as compared to small farmers.[14]

The real need of small farmers has been an adequate availability of institutional credit rather than lower interest rates, as the rates charged by these institutions are already much lower than those at which small farmers have to borrow from moneylenders. Yet, instead of rationing the institutional credit for ensuring equitable distribution, attention has been focused recently more on lowering lending rates for small farmers through a scheme of differential interest rates. Another issue which has been debated very much recently is that small farmers might use the money so borrowed for relending at high rates of interest. Institutional credit constitutes only a fraction of the total borrowings of small farmers and the rates of interest on borrowings from private sources exceed the 'higher' interest rates to be charged to the richer sections by the institutional sources, so that the poorer sections stand to gain by substituting institutional credit for credit from private sources instead of relending to the richer sections. In any case, the scheme of differential interest rates cannot be expected to succeed in the absence of credit rationing, because so long as large farmers are able to corner a substantial proportion of credit and small farmers are denied their due share from institutional sources, it would be possible for the agricultural moneylenders (large farmers) to shift the burden of high interest rates (at which they borrow under the scheme of differential interest rates) to the small farmers by raising market rates of interest because the demand for such loans is relatively inelastic.

IV
Price Policy

In view of the shortage of agricultural commodities and the rising prices, it was expected that agricultural price policy would be directed to ensure adequate supplies of foodgrains to the consumers at reasonable prices and to prevent unduly favourable terms of trade for prosperous agricultural regions and big farmers. However, big farmers have always succeeded in getting higher procurement prices than those recommended by the Agricultural Prices Commission and have evaded the producer levies.[15] Whenever some compulsion became inevitable for the sake of procurement, they often opted for the zonal system — whereby surplus zones are cordoned off for purposes of procurement — as, unlike the levy on large producers, this system spreads the incidence of 'lower' procurement prices on all classes of farmers even when there is a levy on traders and millers. The grain so procured has been used by certain surplus states to contain consumer unrest in their own deficit pockets, even when it means greater hardships for the consumers in the deficit states, and as a bargaining counter with the Central government and the deficit states. Despite the existence of significant interregional differences in free market prices approximating to costs of transportation and distribution from the surplus to the deficit states, the practice has been to fix uniform procurement price for wheat all over the country, which, in any case, has to cover the cost of production in the high-cost regions. Such a policy could result in added gains to the producers in the surplus states, misallocation of resources in such regions,[16] and heavy subsidies on public distribution,[17] the burden of which would ultimately fall on the community as a whole.

V
Distribution of Inputs

The concept of "trade-off" between growth and improved distribution[18] is used not only to rationalise and perpetuate the prevailing unequal distribution of agricultural land but also to justify the intensive use (per acre) of scarce inputs like fertilisers and water on large farms and in the developed regions when it is clear that the social product would be greater by spreading such inputs relatively thinly over a large number of farms in a wider area.[19] Considerations of private profitability dictate that such inputs be applied upto the point where the marginal value product is equal to the price of input whereas maximisation of social product from such scarce inputs requires that they be spread among different farms in such a way that the average product is maximum. In view of their greater capacity to invest and bear risk, large farmers and the developed regions intensify the use of such inputs producing less than socially optimum output.[20] With the introduction of High Yielding Varieties, the divergence between the private and the social optimum is likely to have increased because it is now privately profitable to apply fertilisers in much higher doses than before.[21]

A similar argument may apply to the use of irrigation water. The concept of 'productive irrigation' which has become popular after the introduction of HYV can be used for rationalising the appropriation of water by the influential sections in water-scarce regions even when it is socially more profitable to spread the use of water relatively thinly. This suspicion arises because in certain cases, 'protective irrigation' practised under traditional irrigation systems has been found to be socially productive as it yields greater total output than when applied in larger quantities per acre.[22]

Even in regard to the allocation of resources as between different sections among the poor, preference is given to the relatively better-off among them. One of the arguments advanced in justification is that productivity of inputs as well as surplus generation for the given investment would be higher among such sections. Small Farmers Development Agency (SFDA) is one such

scheme under which small farmers who are not presently viable in terms of certain income norm but who can be made viable with the application of new technology are to be provided necessary credit and inputs.[23] Those owning below this holding are kept out of this programme and are to be taken care of by other programmes such as the one for Marginal Farmers and Agricultural Labourers (MFAL) designed to provide employment mainly through non-crop enterprises. For an essentially anti-poverty programme like this, the exclusion of marginal farmers does not seem equitable because, it is unlikely that, for a long time to come, alternative non-crop avenues can be provided for raising the incomes of these potentially non-viable farms so as to bring them on par with the viable farms. Considerations of productivity[24] as well as of equity require that the scarce inputs be allocated to the small and marginal farms at least in proportion to the cultivated area held by them.

VI
Programmes for Rural Employment

The failure of the current strategy to bring about the promised agricultural growth and employment through the necessary public investments and the redistribution of resources within the agricultural sector has accentuated the problem of unemployment and underemployment in rural areas, particularly because growth of output and employment in the non-agricultural sector has also been slow. The elite has begun to see in this a threat to the existing political system and has, therefore, come out with several *ad hoc* crash programmes such as the Crash Schemes for Rural Employment (CSRE) as part of the Rural Works Programme.[25] Such programmes usually fritter away the scarce investible resources and thus widen the resource-gap for developmental programmes.[26]

If agricultural output did in fact grow at the rate of about 4 per cent per annum — the minimum envisaged in the Five-Year Plans — employment in the production of agricultural commodities alone would have grown by about 3 per cent per annum, as the labour co-efficient (i e, percentage increase in labour input as a result of a 1 per cent increase in output) is likely to be around 0.75 for all the techniques (e g, irrigation, multiple-cropping and HYV, etc) taken together.[27] This is in addition to the employment that would have been generated in marketing and distribution of additional output, in the production and distribution of additional inputs and consumption goods and in the service sector. This growth in employment would have been sufficient to absorb not only the growing labour force in agriculture but would have been sufficient to absorb not only the growing labour force in agriculture but would have also helped to clear much of the backlog of rural unemployment and underemployment. This is because, the growth of labour force in the rural sector woud be significantly less than the growth of population owing, among other factors, to the migration to the urban sector and to the fact that in the initial phases of development in the low income countries, as the income level increases, the participation rate of unskilled labour, particularly females, declines significantly.

A Rural Works Programme designed to strengthen the capital base of agriculture, e g, soil conservation and minor irrigation through consolidation of holdings as part of the Plan for achieving the targeted growth of agricultural output would be non-inflationary in character and would provide the basis for the sustained growth of output and employment as and when such works are completed.[28] But the Rural Works Programme envisaged essentially as a means of providing employment because growth of output has been slow and is likely to be slow would have an inflationary potential.[29] Indeed, the Programme as it has been actually operating, may have been inflationary.[30] It is difficult to conceive how adequate employment can be generated and poverty mitigated despite the slow growth of a key wage-goods sector like agriculture and when the bulk of even these small gains in output are appropriated by the richer sections.

Apart from the growing concern with the problem of unemployment, the proliferation of such crash programmes owes very much to their political suitability for the elite.[31] Unlike lumpy investments in projects like major and medium irrigation which are location-bound and which have a long gestation period, the Rural Works Programmes offer the promise of an immediate gain to a large number of people in wide areas.[32] Secondly, these programmes help those in power to distribute patronage to a large number of middlemen who have to be rewarded and whose services need to be ensured for future.

Notes

1 On account of this, M L Dantwala disagrees with the proposition that agriculture has not received adequate attention by planners in India. See his "From Stagnation to Growth", Presidential address to the 53rd Annual Conference of the Indian Economic Association, *The Indian Economic Journal*, October-December 1970.

2 This implies that the marginal productivity of labour was positive and significant at least for a sizeable segment in Indian agriculture. That this was indeed so has been indicated by several empirical studies on production functions in the recent period. For an incisive analysis of how, historically, population growth has induced the adoption of labour-intensive techniques contributing to an intensive use of land, see Ester Boserup, "The Conditions of Agricultural Growth: The Economics of Agrarian Change Under Population Pressure", George Allen and Unwin, London, 1965.

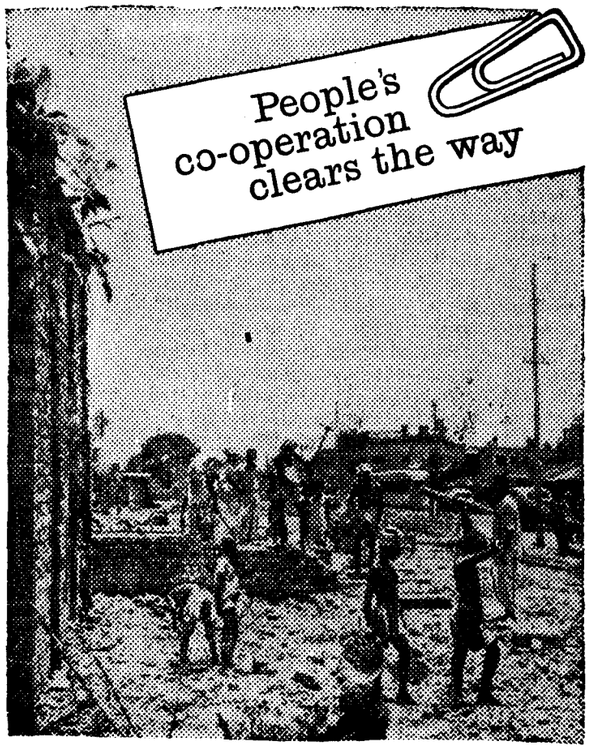
3 Michael Lipton, among others, has been focusing on this deficiency in Indian Planning. See his "India's Agricultural Performance: Achievements, Distortions and Ideologies", in "Society and Development in Asia", Martin Rudner, (ed), Asian and African Studies, Volume 6, Jerusalem: The Israel Oriental Society, 1970. This is reproduced in, "Agricultural Development in Developing Countries — Comparative Experience", The Indian Society of Agricultural Economics, Bombay, 1972.

4 A measure of the optimal rate of public investment for agriculture should take into account the demand for agricultural commodities, productivity of investment and the social goals regarding income distribution, etc. Therefore, the observed trend in the ratio of investment allocations for agriculture to the overall investment serves at best as a rough indicator of the importance given to agriculture.

5 According to Gunnar Myrdal, landowners, having an interest in high rents and low wages and in preventing soil erosion, display little enthusiasm for an expansion of cultivated area, even though there is considerable scope for reclaiming new land. See his, "Asian Drama", Vol II, Part Five, p 1266.

6 When irrigation water comes to a region through public canals, all classes of farmers are benefited in proportion to the area held by them and 'big farmers', who are the effective decision-makers in regard to public investment at the state level, may not account for more than 20 per cent of the area held in a region benefiting from public irrigation. There are, however, some exceptions such as the Kosi area in north Bihar.

7 While taking issue with Michael Lipton, M L Dantwala concedes



Widening of Diamond Harbour Road goes ahead

On June 4, 1974, the owners of 300 shops and houses on Diamond Harbour Road helped to demolish their own establishments and voluntarily yielded right of possession to CMDA. Thanks to their co-operation the narrow, cramped Diamond Harbour Road will now be a 120 ft. wide highway. This is a testimony of the people's faith in the cause of Calcutta's development.

Diamond Harbour Road is one of the many major arterial roads that are being widened and improved by CMDA. The present 45 ft. width, which will be 90 ft. wide after the first phase of work, will finally be almost trebled to 120 ft. throughout the five-mile stretch with 3-channel traffic lanes on both sides of the tram tracks. Work on the first half mile is now complete.

Our deep appreciation of those who gave up their premises to make way for the new Diamond Harbour Road. For the success of this and all other projects, we bank on the people's understanding and co-operation.

CMDA

CALCUTTA METROPOLITAN DEVELOPMENT AUTHORITY

CMDA-37R

big farmer bias in agricultural policy but denies urban bias. He is right when he says that agricultural prices are unduly high, which undermines the objective of removal of poverty. But it is difficult to reconcile this with his assertion that investment allocation for agriculture is all right. See his Preface to "Agricultural Development in Developing Countries — Comparative Experience", *op cit.*

8 These economists have been largely responsible for the view, which has persisted throughout the planning period in India, that there are significant revenue prospects from the taxation of agriculture. Recently, however, the Committee headed by K N Raj on Taxation of Agricultural Wealth and Income found that additional revenues through the progressive taxation of holdings with rateable value of Rs 5,000 and above would amount to only about Rs 150 crores per annum. The net addition would be much less if land revenue on holdings with rateable value below Rs 5,000 per annum is abolished. Thus, instead of focusing on the 'equity' aspect of agricultural tax reform, these economists have been emphasising the 'revenue' prospects from taxing the agricultural sector as a whole. Incidentally, big business in the country, in its attempt to divert attention, has always pointed to the 'revenue prospects' from agriculture. Our study, "Taxation of Agricultural Land in Andhra Pradesh" (Asia, 1966) showed that whereas the tax incidence was regressive, a restructuring of the tax system may not result in a significant net addition to the revenues.

9 When it comes to public investment in agriculture, these economists overlook the usual and well accepted criteria of investment and regard the net resource flow into or from agriculture (i e, public investment in agriculture minus the tax revenues from agriculture) as a basis for investment decision. Bruce F Johnston who was a strong exponent of this approach has recently been emphasising the complementarity between agriculture and the non-farm sectors and the need to maximise the positive interactions between these two sectors for accelerating overall economic growth. See Bruce F Johnston and Peter Kilby, "Agriculture and Structural Transformation: Economic Strategies in Late Developing Countries" (forthcoming).

10 Those still committed to the 'heavy strategy, within the prevailing social structure overlook the fact that the output from heavy industry, e g, steel and cement, is not ploughed back into the 'heavy sector', as visualised' by them, but is instead used essentially for supporting elitist consumption, e g, luxurious residential construction in preference. for example, to irrigation projects which produce foodgrains for mass consumption.

11 Calculations made by V M Dandekar and N Rath in their "Poverty in India" (Indian School of Political Economy, 1971) support this proposition.

12 However, despite a ceiling on ownership holdings, a capitalist farmer can enlarge his operational holding to some extent by leasing in land.

13 Dandekar and Rath ('Poverty in India', *op cit*) recommend the "abolition of tenancy altogether rather than regulation" (p 64). It is not possible to abolish tenancy altogether, assuming that it is proper to do so, when even the regulation of rents has proved to be politically infeasible.

14 C H Hanumantha Rao, "Farm Size and Credit-Policy", *Economic and Political Weekly*, Review of Agriculture, December 26, 1970.

15 K Subbarao, "Market Structure in Agriculture (A Study of the Economic Efficiency of Paddy/Rice Marketing System in West Godavari District, Andhra Pradesh)", Ph D dissertation, University of Delhi, 1973.

16 The procurement prices of wheat have been pegged at levels higher than free marget prices in Punjab for a few years which may have resulted in the diversion of resources away from other crops. Alternatively, uniform procurement prices approximating to the cost of production in the low-cost surplus regions would cause misallocation of resources in the deficit regions by moving resources away from the crop concerned, because free market prices in such regions can be expected to approximate to the cost of production in the surplus regions plus thhe cost of transportation and distribution.

17 This is because, consumer prices in the deficit states cannot be raised so as to cover the cost of distribution including transportation from the surplus state — which would be quite high in a large country like India — as this would raise the retail prices far out of proportion to the local procurement prices which are the same as in the surplus region.

18 According to this concept, even though redistribution of land from the large to the small farmers or the landless may increase output and employment in the short-run, the growth of output and employment may slow down in the long-run owing to the reduction in savings and investment as the small farmers consume away a larger proportion of their income than do the large farmers.

For a presentation of "the possibility of a conflict, in densely populated agrarian economies, between the long-term objectives of an overall employment strategy on the one hand, on the other the limited though immediate benefits derived from redistributing land so as to constitute small farms", see J N Sinha, "Agrarian Reforms and Employment in Densely Populated Agrarian Economies: A Dissenting View" *International Labour Review*, November, 1973.

For a critical examination of this concept see C H Hanumantha Rao, "Ceiling on Agricultural Land Holding: Its Economic Rationale", *Economic and Political Weekly*, Review of Agriculture, June 24, 1972.

19 B S Minhas and T N Srinivasan had shown that even with the use of high-yielding varieties, it would be socially profitable to spread the use of fertilisers relatively thinly over a larger area for old as well as new varieties instead of concentrating them in limited pockets. See their "New Agricultural Strategy Analysed", *Yojana*, January 26, 1966.

In view of the impending shortage of fertilisers consequent on oil crisis, V K R V Rao recommends that countries in Asia should try to maximise the returns from the available quantity of fertilisers by spreading them relatively thinly over larger areas. See his "Growth and Social Justice in Asian Agriculture: An Exercise in Policy Formulation", (forthcoming), United Nations Research Institute for Social Development, Geneva.

20 Incidentally, small farms using less quantity of fertilisers per acre may be nearer the social optimum so long as the average product (for fertilisers) among them is higher than that among large farms.

21 Taxing fertilisers so as to raise their price relative to those of products may contribute to a restricted use among the prosperous segments, apart from appropriating, to the exchequer, the black market margins, but such a policy may discourage their use among the weaker segments also. Equitable distribution of such inputs through rationing would, therefore, be a better alternative. However, an increase in the divergence between the private and the social optimum owing to the scarcity of inputs or to technical change or to the rise in the relative prices of output would render rationing more difficult and has a greater potential for misallocation. The recent rise of about 90 per cent in the price of fertilisers may, therefore, be regarded as being in the right direction as, essentially, it restores the product-fertiliser price ratio obtaining a few years ago.

22 Deepak Lal, "Wells and Welfare: An Exploratory Cost-Benefit Study of the Economics of Small-Scale Irrigation in Maharashtra", OECD, Paris, 1972, p 135.

23 The evidence so far suggests that the progress with this programme has been very slow and much of the benefits are appropriated by those who are already viable. See, for instance, D P Gupta, "Small

Farmers' Development Programme — An Evaluation of Progress and Problems", (mimeographed), Agricultural Economics Research Centre, University of Delhi, 1973.

24 Owing to the greater availability of labour and other complementary inputs such as irrigation among small and marginal farms, a rupee spent on current inputs, say, fertilisers, brings forth higher returns than on big farms. According to G R Saini's Study for Uttar Pradesh and Punjab covering two years (1955-56 and 1956-57), the marginal productivity of a rupee invested in fertilisers ranged between Rs 2.04 and Rs 2.44 among small farms as against Re 0.99 and Rs 1.84 among large farms. See his "Resource-Use Efficiency in Agriculture", *the Indian Journal of Agricultural Economics*, April-June, 1969. It may be noted, however, that the marginal productivity of working capital as such is likely to be lower among small farms owing to the inclusion of the imputed value of family labour as part of working capital. Even in regard to fertilisers, the position may be reversed if the rate of adoption of new (HYV) technology is higher among large farms owing to their better resource position which, however, cannot be attributed to farm size as such.
The fact of lower fertiliser-use per acre and its higher marginal product among small and marginal farms with the given technology, contradicts Dharma Kumar's hypothesis that "since labour-land ratio is lower in the commercial sector, more fertiliser per acre will be applied in the family sector ... this unequal distribution of both labour and fertilisers must yield an output less than the maximum possible", See her "Technical Change and Dualism within Agriculture in India", *The Journal of Development Studies*, October 1970. Thus, her recommendation that "the correct policy would, therefore, be to encourage the use of fertiliser in the commercial sector whether by subsidy or by direct distribution" may produce opposite results in regard to output and employment for the additional reason — that cheaper fertilisers for large farms may induce the adoption of techniques which economise on labour rather than induce more employment in this sector, as visualised by her on the assumption of complementarity between labour and fertilisers.

25 Amartya Sen in his book, "Employment Policy and Technological Choice" (ILO, Geneva, 1973) has made a critical evaluation of these schemes and has expressed serious doubts about the productive contribution as well as the egalitarian impact of these programmes.

26 For instance, the Rural Works Programme envisaged by Dandekar and Rath (See "Poverty in India", *op cit*, p 134) is estimated to cost between Rs 800 and Rs 1,000 crores annually, constituting between 20 and 25 per cent of public revenues to be employed in the Fourth Plan. Since many of the developmental programmes such as irrigation projects are held up owing to the shortage of resources, a cost-benefit analysis of Rural Works Programme versus the proposed irrigation projects is very much in order.

27 C H Hanumantha Rao, "Employment Implications of Green Revolution and Mechanisation in Agriculture in Developing Countries: A Case Study of Punjab (India)", presented at the International Economic Association Conference on Place of Agriculture in the Development of Underdeveloped Countries, Bad Godesberg, West Germany, 26 August-4 September, 1972.

28 The Rural Works Programme envisaged by B S Minhas (see his "Rural Poverty, land Redistribution and Development", *Indian Economic Review*, April, 1970) was of this type, although its demands on organisation (administrative preparedness as well as public response) are too onerous to make the programme immediately practicable in areas like the Eastern Zone where poverty is most widespread and where such works appear to be most needed.

29 The Rural Works Programme advocated by Dandekar and Rath is clearly of this type, as, according to them, it would be difficult to make a dent on unemployment and poverty though the process of economic development "firstly because, judging by the experience of the last decade, the rate of growth attainable in the coming decade is likely to be small and inadequate for the purpose, and secondly because, again judging by the experience of the last decade, the small gains of development will most likely accrue, in large measure, to the upper middle and the richer sections of the society". See, "Poverty in India", *op cit*, p 137. They recommend taxation of the rich for financing this programme, but experience has shown that politicians are reluctant to tax the rich and push through these programmes by resorting to deficit financing.

30 This programme needs to be distinguished from the famine relief programmes undertaken in specific areas for specific periods. Such programmes are necessary, rigation would indute migration from drought-prone areas thus reducing the incidence of famines.

31 The attitude of the civil servant towards the peasant comes in quite handy in such a situation: He finds it prudent to uplift the rural poor through several ingenious schemes sponsored and administered from above. Rooted as he is in secure urban environment, he rarely has an opportunity for a comprehension of the genuine requirements of the farmers.

32 Given the diffused character of such programmes, it is difficult to make them productive, partly because productive works are not usually available in many areas to which the programme has to be extended and, even when such works are available, funds are not sufficient to complete them. Those that are undertaken are executed badly because of administrative deficiencies as well as malpractices.

World Armaments

THE SIPRI Yearbook 1974, the fifth annual survey of world armaments and disarmament prepared by the Stockholm International Peace Research Institute, describes the major advances in worldwide arms developments in 1973. In 1973 alone at least 29 nuclear tests were conducted by present nuclear-weapon powers: 14 by the USSR, nine by the USA, five by France and one by China. Over 950 tests have been conducted by these four countries and the UK since 1945.

The United States and the Soviet Union continued to take giant steps forward in their advanced nuclear weapon programmes in 1973, both quantitatively and qualitatively. Ongoing US deployment of land- and submarine-based missiles with multiple individually targetable re-entry vehicles (MIRVs) brought the number of independent warheads on US strategic missiles to nearly 6,000. Moreover, the US announcement that it would emphasise a counterforce strategy (one aiming strategic weapons against military targets) as a strategic option increase the likelihood of procurement of strategic missiles capable of being targeted with very great accuracy.

The Soviet Union, which has about 2,200 independent strategic missile warheads, tested four new prototype ICBMs in 1973, three of which incorporated MIRV warheads with four to seven re-entry vehicles. Soviet development of a very long-range (4,200-nautical mile) submarine-based missile moved forward, and new missile-firing submarines were produced at a steady rate.

On Life and Death Questions

Pranab K Bardhan

Most of the recent discussion on the assessment of poverty and levels of living in India is based on evidence provided by household consumption data. It is usually made with reference to either some minimum nutritional norms for food consumption or some general 'poverty line' defined in terms of a bare minimum level of private consumer expenditure.

Seldom is the discussion related to the crucial question of disparities in the vital rates in India — particularly in the rates of mortality and morbidity. Reliable information, on the disparities in these vital rates as between the various socio-economic groups or on their link with the specific health and nutrition status of these groups, is very scanty.

The limited aim of this paper is to draw attention to some of these disparities — particularly to their regional variations.

I

MOST of the recent discussion on the assessment of poverty and levels of living in India is based on evidence provided by household consumption data. It is usually made with reference to either some minimum nutritional norms for food consumption or some general 'poverty line' defined in terms of a bare minimum level of private consumer expenditure. Seldom is the discussion related to the crucial question of disparities in the vital rates in India — particularly in the rates of morality and morbidity. Reliable information, on the disparities in these vital rates as between the various socio-economic groups or on their link with specific health and nutrition status of these groups, is very scanty. The limited aim of this paper is to draw attention to some of these disparities — particularly to their regional variations.

Let us start with the regional distribution of nutritional inadequacy in India. If one takes 2,250 calories as the minimum daily per capita requirement, one finds from the estimates in Table 1, column (2), that the states where the average daily calorie intake per capita is below this minimum are: Andhra Pradesh, Kerala, Maharashtra, Tamil Nadu and West Bengal. The states where this average intake is significantly *above* the minimum requirement are: Punjab (including Haryana), Rajasthan, Jammu and Kashmir, Uttar Pradesh and Madhya Pradesh. Columns (3) and (4) in Table 1 gives the Dandekar-Rath estimates of the percentage of population in rural and urban areas, within each state, which cannot afford the minimum-calorie diet. It is seen that the states where the percentage of such people is significantly above the All-India average are: Andhra Pradesh, Assam, Kerala, Maharashtra, Orissa, Tamil Nadu and West Bengal; thus except for Maharashtra, the other states with a high percentage of calorie-deficient population are in East or South India. The corresponding percentages are significantly below the all-India average in Punjab, Rajasthan, Jammu and Kashmir, Uttar Pradesh and Gujarat — i e, mostly in North or West India.[1]

Of all the states, the nutritional situation seems to be by far the worst in Kerala. This is so, even if one allows for the probable underestimation, in National Sample Survey data, of the consumption in Kerala of items such as coconut. It is therefore striking to note from column (2) in Table 2 that the expectation of life at birth is the highest in Kerala among all states in India — higher even than in Punjab or Rajasthan where the intake of calories is among the best in the country. Maharashtra and West Bengal are significantly below the Indian average in terms of nutritional adequacy, and yet they are significantly *above* the Indian average in terms of life expectancy. On the other hand, in Uttar Pradesh, Madhya Pradesh, Gujarat and Karnataka, where the percentage of calorie deficient people is below the Indian average, the life expectancy is *below* the Indian average.

Of course, the relationship between nutritional inadequacy and life expectancy or mortality is extremely complex. But it is generally admitted that maternal malnutrition often leads to the birth of premature, underweight, babies; also poor nutrition reduces resistance to infection, particularly among children, and the various infections in turn reduce the nutrient absorption capacity of the body.[2] Consequently, a child, seriously malnourished because of deficiency either in its own diet or in that of its mother at pregnancy and lactation, has much lower chances of survival than otherwise. It must also be remembered that the average household food consumption data, which form the basis of calculations about nutritional adequacy, quite often understate the extent of malnutrition among children. This is so because, the way the data are usually collected, precludes any insight into the pattern of *intra-family* distribution of food. In much of India's food culture, the allocation of food is quite often in accordance with the two-dimensional size of the different family members (i e, height and width);[3] there is thus relative lack of perception of the additional food needs of the nutritionally most vulnerable member of the family, *viz*, the weaned infant or, more generally, the pre-school child.

Nevertheless, whether one looks at the life expectancy data or the infant mortality data [see Table 2, column (3)], the best position among the states is occupied by Kerala which is nutrition-wise the poorest state. It is even more remarkable that Kerala, which is probably one of the world's poorest and most densely populated regions, had a total death rate of about 9 per thousand as in 1971 — approximately equal to the death rate in the US and lower than that in the UK or Germany. From the point of view of infant mortality the worst states in India are Uttar Pradesh, Rajasthan and Gujarat, which are among the nutritionally better-off states. Even in Punjab and Haryana, the infant mortality rate is very much above that in Kerala.

A part of the explanation for this overtly paradoxical regional variation, may be the better private health and sanitation practices in Kerala compared to those in several other parts of the country. This is consistent too with the fact that the literacy rate (or any other index of general education) in Kerala is way above the Indian average.[4] The literacy rate is on the other hand very low in some of the nutritionally better-

IOL continues its advance on the technological front

and here are the facts

*A Centre is being set up in Bombay for the production of a range of gases of ultra high purity and special mixtures for the electronic and other industries. Hitherto these were being imported.

*MIG 400, a more sophisticated form of metal inert gas welding set from IOL, will soon be in the market.

*IOL has won the first 1200 cubic metre/hour Oxygen Plant contract for a mini-steel project of the Maharashtra Government. This is the forerunner of a series to be manufactured by IOL in the near future.

*For the first time in India IOL will produce indigenous tubular hard facing electrodes—"Cobalarc"

*Also for the first time in India IOL has established facilities for producing special purpose automatic welding machines.

Meeting national objectives

IOL Indian Oxygen Limited

TABLE 1 : INCIDENCE OF CALORIE INADEQUACY IN DIFFERENT STATES IN 1961-62

States	Average Daily Per Capita Calorie Intake	Percentage of Rural Population Lying Below the Expenditure Level at Which the Minimum Diet of 2,250 Calories Is Reached	Percentage of Urban Population Lying Below the Expenditure Level at Which the Minimum Diet of 2,250 Calories Is Reached
(1)	(2)	(3)	(4)
Andhra Pradesh	2147	62.14	58.11
Assam	2336	47.67	23.37
Bihar	2514	37.38	41.28
Gujarat	2387	19.09	50.50
Jammu and Kashmir	2933	13.69	42.30
Karnataka	2598	26.92	57.39
Kerala	1606	90.75	88.89
Madhya Pradesh	2789	25.79	51.62
Maharashtra	2195	61.04	58.18
Orissa	2362	43.88	55.57
Punjab (including Haryana)	2891	13.98	52.09
Rajasthan	3020	13.29	21.84
Tamil Nadu	2144	55.19	70.78
Uttar Pradesh	2716	18.13	37.65
West Bengal	2152	44.09	48.53
India	2445	38.00	54.00

Notes : Column (2) is taken from the estimates presented in T N Krishnan and N N Krishnaji, "Inter-and Intra-State Disparities in Food Consumption : An Analysis", unpublished. They are based on the quantity of consumption data given by the NSS 17th Round (1961-62). Columns (3) and (4) are taken from V M Dandekar and N Rath, "Poverty in India", 1971. The Dandekar-Rath estimates are also based on the same NSS Round data.

TABLE 2 : INFANT MORTALITY AND LIFE EXPECTANCY AT BIRTH

State	Life Expectancy at Birth in Years (1951-60)	Infant Mortality Rate (Rural) in 1969
(1)	(2)	(3)
Andhra Pradesh	36.9	128.9
Assam	36.8	129.5
Bihar	37.6	na
Gujarat	40.0	165.2
Haryana	—	79.7
Jammu and Kashmir	na	102.9
Karnataka	40.2	109.6
Kerala	48.3	56.8
Madhya Pradesh	40.6	na
Maharashtra	45.2	106.9
Orissa	40.9	na
Punjab	47.5	97.6
Rajasthan	46.8	168.8
Tamil Nadu	39.8	112.5
Uttar Pradesh	38.9	178.7
West Bengal	44.3	na
India	41.2	139.9

Notes : Column (2) is taken from "Life Tables, 1951-60", *Census of India*. The figures in Column (2) are reported to be estimaed on the basis of Quasi-Stable Population Model assuming the intermediate series of age-specific mortality and fertility rates adopted by the United Nations in calculating Model Stable Populations. One problem of the Census data used in preparing life tables is that they are inadequately adjusted for under-enumeration and age misreporting at the youngest ages. Column (3) is taken from 'infant Mortality in india", Office of the Registrar General of India, 1972. These infant mortality rates based on the Sample Registration System are supposed to be more reliable than the NSS estimates which are available for a somewhat larger number of states. The all-India infant mortality rate presented is an estimate from the pooled data of the 12 states mentioned. We do not present the infant mortality rates for the urban population, since Sample Registration System data on them were available only for a limited number of states.

off states such as Haryana, Jammu and Kashmir, Rajasthan and Uttar Pradesh.

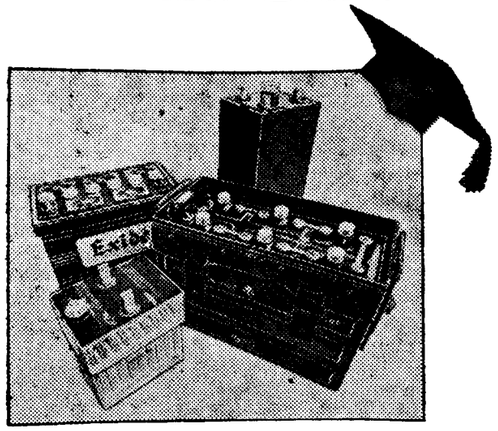
But a more important explanation may be the better access to medical facilities and public health services in states such as Kerala than in the other states. From column (2), Table 3 it may be seen that, in 1963-64, per capita Government expenditure on medical and public health measures in Kerala was one of the highest in the country and much higher than for instance in Punjab. The corresponding expenditure for Uttar Pradesh was the lowest, and it may not be a mere coincidence that the infant mortality as well as the general death rate is the highest in this state despite poverty in terms of calorie inadequacy being one of the lowest in the country in this state (as is to be seen in Table 1).

Table 3, column (3), shows the number of beds in hospitals and dispensaries per 1,000 population in the different states. Again, this number in Kerala is one of the highest in the country and is much higher than in Punjab or Rajasthan. The figure for Uttar Pradesh is among the lowest in the country. Earlier, we have cited Maharashtra and West Bengal as being significantly below the Indian average in terms of nutritional adequacy but significantly above the Indian average in terms of life expectancy. Now we can see that they are also significantly above the Indian average in bed-population ratio and per capita Government expenditure on medical and public health. In terms of patient visits per capita to the outdoor departments of hospitals and dispensaries, again, the figure for Kerala is among the highest in the country — higher than for Punjab or Rajasthan. In terms of percentage of total number of villages provided with protected water supply, too, Kerala is by far the best in the country.[5] According to NSS 18th Round (1963-64) data, the proportion of villages reporting tanks, ponds, rivers, lakes, springs, etc, as the source of their drinking water in Kerala is the lowest in the country (i e, the proportion of taps, wells and tubewells, as sources, is the highest in the country).

What may be of more direct relevance to infant mortality (or maternal deaths) is the percentage of total births which are attended by trained *dai*, midwife, physician or qualified nurse. Table 3, column (4) shows that the highest percentage of births attended by such qualified personnel in rural India

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in 1964-65 was in Kerala. This percentage in Kerala is very much above that in Punjab, Haryana or Rajasthan. The lowest percentage in the country is in Uttar Pradesh, where we have seen that infant mortality is the highest.

Most of what we have said above, about the regional variations in the relationship between nutritional inadequacy and life expectancy or infant mortality, holds also if we confine ourselves to aggregative comparison between rural and urban India. It is clear from the Dandekar-Rath estimates that poverty, in terms of calorie inadequacy, afflicts a significantly larger proportion of the population in urban India compared to in rural India. This is the case for most of the states too. Yet, according to the Sample Registration Scheme data, issued by the Office of the Registrar General, the crude death rate per 1,000 population was 9.7 in urban India in 1971, which is significantly above the figure of 16.4 for rural India; similarly, the infant mortality rate is estimated to be 81 in urban India in 1971 compared to 131 in rural India.

It is not difficult to list the factors which may explain this rural-urban variation. The literacy rate in urban areas is more than twice that in rural areas. Also, about two-thirds of the total number of doctors and nurses in India are to be found in the urban areas. The hospitals are concentrated in urban areas. According to National Sample Survey (19th Round) data, 46 per cent of all births in urban India are attended by trained medical personnel, compared to 9 per cent in the rural areas. The NSS 19th Round household consumption expenditure data also show that the average private monthly expenditure on medicine and medical services per capita is Rs 1.01 in urban India which is about twice the corresponding figure for rural areas. While more than 40 per cent of India's towns have protected water supply, only about 5 per cent of the total number of villages have this facility. All these facts may go to explain the better urban situation in the incidence of death, despite poorer nutrition and greater possibility of respiratory diseases on account of congestion and inferior housing conditions in towns.

Going back to inter-state variations (as distinct from urban-rural variations) we have so far tried to point to high-poverty states which have managed to keep above-average life-expectancy or below-average infant mortality rates and on the other hand to nutritionally better-off states which have performed miserably in terms of infant mortality or life expectation.

We can now refer to states such as Andhra Pradesh, Tamil Nadu, Assam and Orissa, where the incidence of poverty is high and where the life expectancy at birth too is below the Indian average. In all these four states, the number of beds in hospitals and dispensaries per 1,000 population is below the Indian average. Except in Tamil Nadu, even the literacy rate is below the Indian average. Except in Andhra Pradesh, the proportion of villages with protected water supply is insignificant. According to NSS 18th Round data, nearly half of the total villages in Orissa and Assam reported tanks, ponds, rivers, lakes, springs, etc, as the source of their drinking water in 1963-64.

Now consider Bihar. According to the Dandekar-Rath estimates, the incidence of poverty in Bihar is about the Indian average. But life expectancy in this state is one of the lowest in the country. Also, the literacy rate is extremely low. Per capita Govern-

TABLE 3 : SOME HEALTH STATISTICS FOR THE STATES

States	Per Capita Government Expenditure on Medical and Public Health Measures in 1963-64 (Rs)	Number of Beds in Hospitals and Dispensaries per 1,000 Population in 1964	Percentage of Total Births in Rural Households Attended by Trained *Dai*, Midwife, Physician or Qualified Nurse in 1964-65
(1)	(2)	(3)	(4)
Andhra Pradesh	2.88	0.53	12.24
Assam	3.28	0.45	12.88
Bihar	1.72	0.24	2.78
Gujarat	2.24	0.53	9.69
Haryana	—	—	15.32
Jammu and Kashmir	4.13	1.01	6.10
Karnataka	2.58	0.75	15.83
Kerala	3.70	0.94	25.72
Madhya Pradesh	2.27	0.41	5.14
Maharashtra	2.96	0.81	7.52
Orissa	3.21	0.43	6.79
Punjab	2.57	0.67	14.27
Rajasthan	3.80	0.52	4.07
Tamil Nadu	3.03	0.48	21.92
Uttar Pradesh	1.49	0.38	2.51
West Bengal	3.32	0.85	12.68
India	2.58	0.57	8.81

Notes : Columns (2) and (3) are taken from "Health Statistics of India", Ministry of Health, Government of India. Column (4) is calculated from estimates given in NSS Report No 177 for the 19th Round (1964-65). For columns (2) and (3), Punjab includes Haryana.

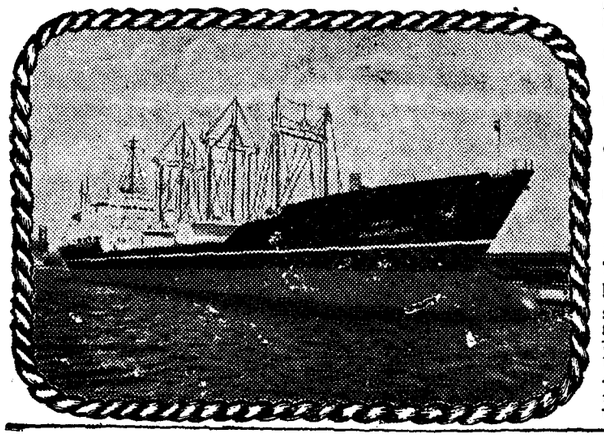
TABLE 4 : DISPARITY OF THE DISTRIBUTION OF VISITS TO OUTDOOR DEPARTMENTS AND OF STAYS IN INDOOR DEPARTMENTS OF HOSPITALS AND DISPENSARIES IN WEST BENGAL BY FRACTILE GROUPS, 1964

Fractile Groups of Population (per cent)		Percentage Shares in Total Number of Visits to Outdoor Departments of Hospitals and Dispensaries	Percentage Shares in Total Number of Free-Bed Days Stayed in Hospitals and Dispensaries
(1)		(2)	(3)
Bottom	Two Deciles	24.8	16.0
Next	Three Deciles	31.5	17.3
Next	Three Deciles	25.9	49.0
Top	Two Deciles	17.8	17.7

Notes : This Table is worked out from the estimates presented in T Maitra, B Dey and N Bhattacharya, "An Enquiry on the Distribution of Public Education and Health Services in West Bengal", *Sankhya*, Series C (Quantitative Economics), June 1974, forthcoming. The sample size was 959 rural and 766 urban households in West Bengal. The authors caution in their article that the estimates are subject to large margins of error.

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TABLE 5 : DISPARITIES OF FOOD CONSUMPTION AND MORTALITY RATES OF AGRICULTURAL LABOUR HOUSEHOLDS VIS-A-VIS THE GENERAL RURAL POPULATION, 1963-64

States	Ratio of Death Rate in Agricultural Labour Households to the Average Death Rate of the Rural Population	Ratio of Food Consumption Expenditure Per Capita in Agricultural Labour Households to that for the Rural Population
(1)	(2)	(3)
Andhra Pradesh	1.07	0.93
Assam	1.23	1.21
Bihar	1.22	0.90
Gujarat	1.23	0.85
Jammu and Kashmir	2.53	1.52
Karnataka	1.21	0.92
Kerala	0.99	0.83
Madhya Pradesh	1.24	0.89
Maharashtra	1.26	0.95
Orissa	1.16	0.89
Punjab (including Haryana)	1.14	0.89
Rajasthan	1.57	0.95
Tamil Nadu	1.16	0.88
Uttar Pradesh	1.05	0.92
West Bengal	1.03	0.83
India	1.09	0.91

Notes : Column (1) has been calculated from the estimates given in NSS Report No.175 for the 18th Round (1963-64). Column (3) gives a ratio, the denominator of which is taken from NSS 18th Round data on household consumption expenditure, and the numerator from the NSS 18th Round data for the Rural Labour Enquiry relating to agricultural labour households.

ment expenditure on medical and public health is the second lowest in the country. The bed-population ratio is the lowest in the country. The number of patient visits to the Government health network is among the lowest in the country. In terms of percentage of births attended by trained medical personnel the state is second lowest in the country. The proportion of villages in the state with protected water supply is extremely low. In the four years, 1969-72, of the total number of notified deaths from cholera in India nearly half took place in Bihar. In the current year, the severest incidence of small pox in the whole world has been in Bihar.

In Madhya Pradesh, Karnataka and Gujarat, the incidence of calorie inadequacy is significantly below the Indian average, but average life expectancy at birth is about the same as, or slightly below, the Indian average. Per capita Government expenditure on medical and public health is somewhat below the Indian average in Gujarat and Madhya Pradesh. Bed-population ratio is below average in Gujarat and significantly below average in Madhya Pradesh. The percentage of births attended by trained medical personnel is significantly below average in Madhya Pradesh. The percentage of villages provided with protected water-supply is below average in Karnataka.

II

In the preceding discussion, we have tried to assess the relative importance of nutritional status, general educational level (particularly) as it influences health, sanitation, and child-feeding practices), and availability of public health facilities. It should be noted that, even when the latter facilities exist, their accessibility to the poor differs from region to region. For example, a recent study[6] of the impact of rural health services notes :

> "The overall image of the ANM (Auxiliary Nurse Midwife) or the LHV (Lady Health Visitor) in villages in North India is that of a person who is quite distant from them — meant only for special people or for those who can pay for her services. She is not for the poor. She is not expected to visit them during the pregnancy or after the delivery. In the villages in the South, the position is (only) relatively better."

A survey[7] of the distribution of public health services in West Bengal in 1964-65, shows that the poorer groups were reporting somewhat larger shares in the total number of visits to outdoor departments of hospitals and dispensaries, but that the distribution of free-bed days in hospitals and dispensaries disfavoured the poorest groups : the evidence is cited in Table 4.

Very little data exist on the impact of the differential access to nutrition, education, and public health facilities for the different socio-economic groups within a region on the differential incidence of morbidity and mortality among these groups. In fact, is is difficult even to find any reliable country-wide survey on the differential mortality rates for the different socio-economic groups. The only available country-wide survey results, relating to this, are those of the National Sample Survey from a few Rounds. But there are reasons to believe that the NSS estimates of mortality for the poorer groups are serious underestimates — possibly due to the recall lapse for the fairly long reference period used in the surveys (apart from possible cases of reluctance to report still-births or deaths of pregnant women in the household).

Since there is no other source of data on this crucial question, let us assume (though it is not a satisfactory assumption) that the extent of under-reporting in the case of the poorer groups is roughly the same across the states. Table 5, column (2), presents the *ratio* of death rates in agricultural labour households to the average death rates of the population in different states of rural India in 1963-64, as estimated from NSS 18th Round data. For rural India as a whole, the death rate for agricultural labour households seems to be only 9 per cent above that for the general population. Obviously, this is an underestimate of the differential, but let us go ahead with the *inter-state* comparison for what it is worth. It seems that, in Kerala and West Bengal, the death rate in agricultural labour households is about the same as that in the general rural population. On the other hand, Table 5, column (3) tells us that the *ratio* of total food consumption (expenditure) per capita for agricultural labour households to that for the general rural population is the *lowest* in the country in Kerala and West Bengal in 1963-64 according to the NSS 18th Round data. In contrast, in Jammu and Kashmir — and Assam — food consumption per capita for agricultural labour households seems to be actually *higher* than that for the general rural population, yet the death rate for agricultural labour households in Jammu and Kashmir is about 2.5 times that for the general rural population — and for Assam too it is significantly higher than that for the general rural population. In Rajasthan, the death rate for agricultural labour households is nearly

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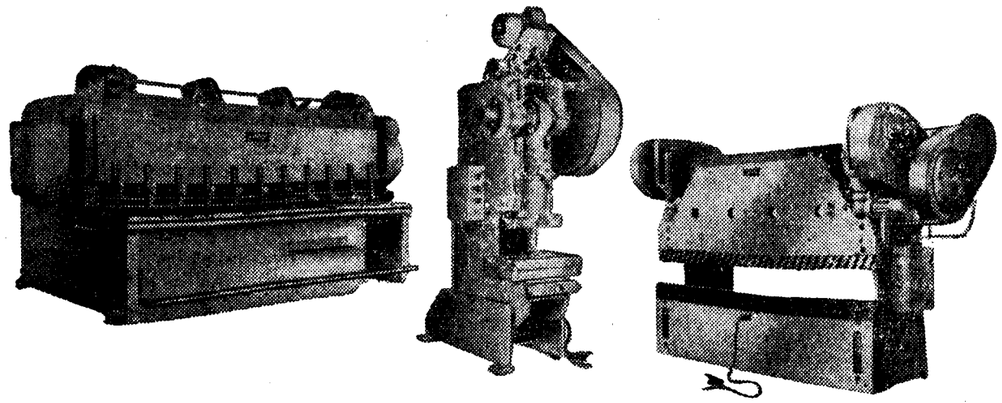
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TABLE 6 : LIFE EXPECTATION AT BIRTH IN INDIA—1872-1971

Decade	Expectation of Life at Birth in Years	
	Males	Females
(1)	(2)	(3)
1872-1881	23.7	25.6
1881-1891	24.6	25.5
1891-1901	23.6	24.0
1901-1911	22.6	23.3
1911-1921	19.4	20.9
1921-1931	26.9	26.6
1931-1941	32.1	31.4
1941-1951	32.4	31.7
1951-1961	41.9	40.6
1961-1971	47.1	45.6

Notes : These are based on Census Actuary estimates.

60 per cent above that for the general rural population; yet the ratio of food consumption per capita for agricultural labour households to that for the general rural population is ***above*** the average for rural India as a whole.[8]

If these results are not entirely due to the quirks of NSS mortality data, they point, once again, to the importance of factors such as access to public health facilities and education for the poor, which is probably the best in Kerala and West Bengal than in many other parts of the country.

III

Talking of inter-group differentials in mortality, one of the most striking features of Indian demographic data is — and has been for quite some time — the male-female differential. Census data since 1931 suggest that female life expectancy is lower than male in India, contrary to much of the international experience (see Table 6). There exists a significant literature[9] on this phenomenon. In this paper, we are more interested in analysing its regional variations within India.

Table 7 presents the *ratios* of projected values of expectation of life at birth in 1966-70, for males and females, in the different states. We find that the female life expectancy is ***higher*** than the male in all the four major states of East India: Assam, West Bengal, Bihar and Orissa. In contrast, the female life expectancy is substantially *below* the male in Punjab and Rajasthan. The 1951-60 Life Tables, estimated by the Census Actuary, present zonal life tables which also show that female life expectancy is higher than the male in the Eastern Zone, and it is substantially lower than the male in the Northern Zone consisting of Punjab and Rajasthan.

Table 8 provides the *ratios* of female to male death rates for age-group 0-4 years and for all age-groups put together in the rural areas of the 12 states in 1969, based on Sample Registration System data provided by the Office of the Registrar General. It is seen that the female child (up to 4 years) has a death rate of about 50 per cent higher than the male child in Punjab and Uttar Pradesh, and it is about 20 per cent higher in Rajasthan and Gujarat. By contrast, in Assam, Jammu and Kashmir, Kerala and Karnataka, the female child has a *lower* death rate than the male and the sex-differential is rather insignificant in Andhra Pradesh, Tamil Nadu and Maharashtra. Taking all age-groups together, the female death rate is significantly higher than the male death rate in Uttar Pradesh, Gujarat, Rajasthan, Punjab and Jammu and Kashmir. In contrast, in Kerala, Karnataka, Andhra Pradesh and Assam, the female death rate is *lower* than the male and the sex-differential is rather insignificant in Maharashtra and Tamil Nadu. The Sample Registration System data for 1969 do not include figures for Bihar, Orissa, Madhya Pradesh or West Bengal. For a more complete coverage we could refer to the National Sample Survey 18th Round (1963-64) data, given in NSS Report No 175, although the data are subject to probable under-reporting of deaths, particularly female deaths. If the extent of understatement of sex-differential in mortality in NSS data is roughly the same across the states, we find that the ratio of the female death rate to the male is significantly ***above*** the all-India average in Punjab, Jammu and Kashmir, Rajasthan and Uttar Pradesh and the ratio is significantly ***below*** the all-India average in Assam, Karnataka, Tamil Nadu, Orissa, Andhra Pradesh, Maharashtra and West Bengal.

In general, it seems that the female relative disadvantage in chances of survival is significantly higher for the North and North-Western regions of India; and it is much smaller for East and South India. It is difficult to be sure of the factors underlying this type of regional variations.

Regional variations in the nutritional intake by women is not likely to be an explanation. Even if one makes the realistic assumption that the intra-family distribution of food is highly biased in favour of the males to an extent unjustified by the additional energy requirements of the working adult male (let alone the special needs of women in pregnancy and lactation), the impact of this inequitable distribution is likely to be more severe in areas where the per capita availability of food is less than where it is more. Where there is more food to go around in the family, the female may have better chances. But compared to most of East and South India, in North and North-West India the average per capita availability of food *is* in general higher even for the relatively poor households. And we have already seen from Table 1 that the incidence of calorie inadequacy is the least in North and North-West India.

Apart from nutritional factors, frequency of child birth and too early child-bearing may be important causes of maternal or general female deaths. From Table 9, column (2) it appears that the average number of children per woman in Punjab, Gujarat and Jammu and Kashmir is significantly higher than the Indian average and substantially higher than in the South Indian states or most of East India (except Assam). From Table 9, column (3), it also seems that the median age at marriage for women in Uttar Pradesh and Rajasthan is among the lowest in the country, whereas the corresponding median ages for Kerala and Tamil Nadu are among the highest.

TABLE 7 : FEMALE-TO-MALE LIFE EXPECTATION RATIO IN THE STATES, 1966-70

States	Ratio of Female Life Expectation at Birth to Male, 1966-70
(1)	(2)
Andhra Pradesh	0.964
Assam	1.029
Bihar	1.001
Gujarat	0.969
Karnataka	0.961
Kerala	0.960
Madhya Pradesh	0.977
Maharashtra	0.968
Orissa	1.008
Punjab	0.918
Rajasthan	0.917
Tamil Nadu	0.963
Uttar Pradesh	0.978
West Bengal	1.007

Notes : The ratios are calculated from the projected values of life expectation separately for males and females for different states as cited in Statistical Abstract of Punjab 1972, Government of Punjab.

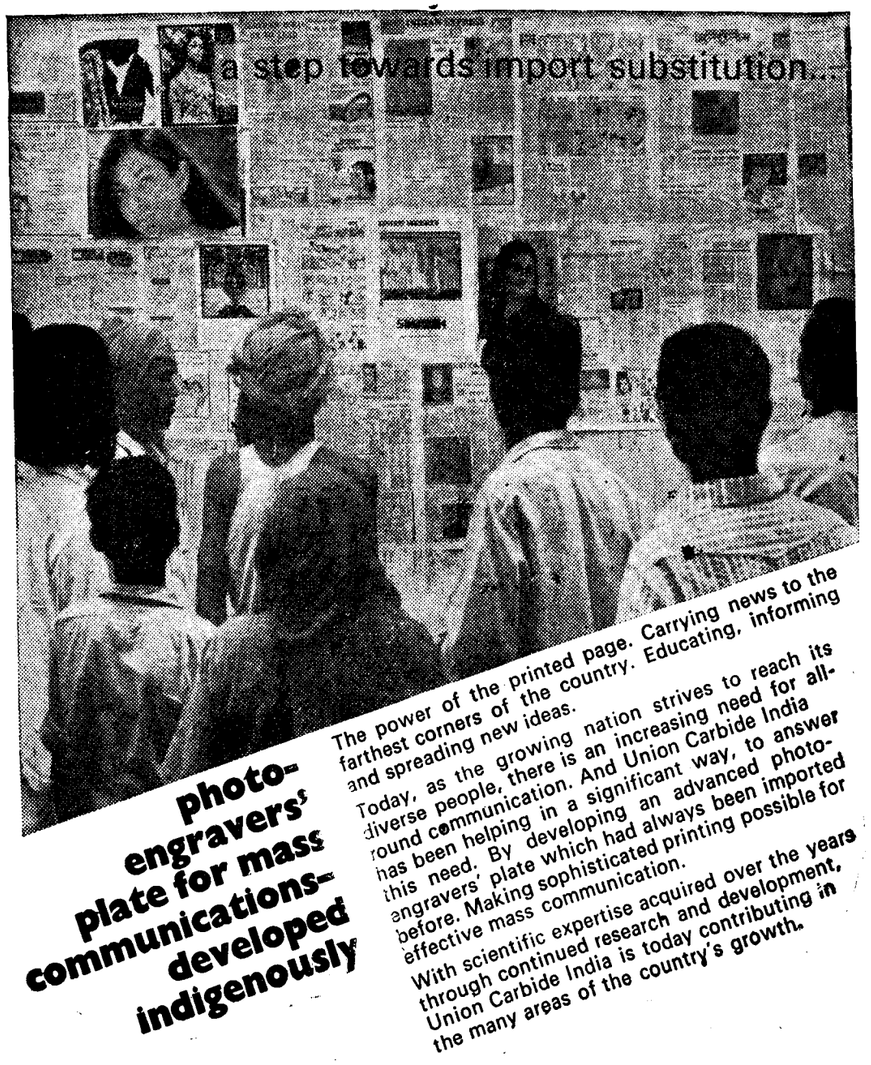


TABLE 8 : FEMALE-TO-MALE MORTALITY RATIOS IN RURAL INDIA 1969

States	Ratio of Female to Male Death Rates	
	For-Age Group 0-4 Years	For All Age-Groups Together
(1)	(2)	(3)
Andhra Pradesh	1.00	0.97
Assam	0.81	0.97
Gujarat	1.19	1.10
Haryana	1.14	1.05
Jammu and Kashmir	0.91	1.06
Karnataka	0.94	0.96
Kerala	0.93	0.89
Maharashtra	1.03	0.99
Punjab	1.53	1.06
Rajasthan	1.19	1.07
Tamil Nadu	1.03	1.02
Uttar Pradesh	1.49	1.31
(Pooled Estimate for 12 states)	1.20	1.10

Notes : These ratios are calculated from the age-specific death rate data on the basis of the Sample Registration Scheme as presented in "Measures of Fertility and Mortality in India", Office of the Registrar General of India, 197.2

A factor that is important in governing health and sanitation practices as well as food habits of women is their general education level. Illiteracy and superstition among females often lead also to their resorting to exorcists for disease cure, to their tardiness in approaching public health facilities even when they are accessible, and to their premature stopping of medical treatment. Kerala is the only state in the country where the majority of the female population are not illiterate. Next comes Tamil Nadu. The female literacy rate is extremely low in the North and North-Western states of Uttar Pradesh, Jammu and Kashmir, and Rajasthan.

On maternal medical care, we have already noted in Table 3, column (4) that, in 1964-65, the percentage of all births in rural households attended by trained personnel (like a trained *dai*, midwife, physician or qualified nurse) in Kerala and Tamil Nadu was the highest in the country. This percentage is extremely low in Uttar Pradesh and Rajasthan. Similarly, the same NSS 19th Round data suggest that the percentage of all births in rural households which take place in hospitals, maternity homes, and other medical institutions, is the highest in the country for Kerala and Tamil Nadu. On the public health facilities, we may work out, from the figures given in columns (2) and (3) of Table 3 and from the relevant population figures, that the per capita Government expenditure on medical and public health measures as well as the average number of beds in hospitals and dispensaries per 1,000 population is higher in East and South India (taken together) than in North and North-Western India (Punjab, Rajasthan, Jammu and Kashmir, Uttar Pradesh and Gujarat) taken together.

Going back to Table 8, it seems that, in the areas of relatively high female death rates, such as Uttar Pradesh, Punjab, Rajasthan and Gujarat, the female-male *ratio* of death rates is higher for the age-group 0-4 years than for all age-groups taken together. This may indicate that what may be more important than maternal deaths in governing the sex-differential in mortality is the general neglect of little girls. Historically, the practice of female infanticide has been known to exist in North and North-West India. The 1911 Census Report points out that the practice "was found to be extremely prevalent in the United Provinces, the Punjab and Rajputana amongst various sections of the population before about the third quarter of the nineteenth century". The practice has died out, but the long-run legacy of general neglect (conscious or unconscious) of undernourished and exposure to infections for the female child may have persisted in this region to a larger extent than in East or South India.

The question, of course, remains as to why, historically, this general neglect of females (including the extinct practice of female infanticide) came to be more prevalent in this part of India. This is obviously a complex subject where historical, cultural, ecological and sociological factors may interact and easy answers are not possible, nor it is within the scope of the present paper to attempt this. Let us only mention a factor or two at the level of sweeping generality.

It is often suggested that the North and North-Western parts of the Indian subcontinent are an extension of the broad cultural region of West Asia, and the impact of Islamic culture had been consolidated there over the centuries of Muslim rule. This, allegedly, may have resulted in the lower status of women and the higher incidence of female child mortality. It is difficult to test this proposition, but one of the few country-wide surveys of infant mortality rates by religious groups we are aware of, does not seem to support the presumption of higher female-to-male infant mortality ratio among Muslims. The National Sample Survey 19th Round (1964-65) data have been tabulated to give us religious, group-wise, infant mortality rates (see NSS Report No 177). In fact, it seems from the data that the ratio of female to male mortality rate is somewhat higher for the Hindus than for the Muslims in rural India (although it is the opposite in urban India). It is possible that under-reporting of female infant deaths may vary across religious groups, but suffice it to say that the presumption of higher female-to-male infant mortality ratio among Muslims is yet to be established.[10]

There are some reasons to believe that the strength of the custom of 'purdah', the associated low status of women, and the exaggerated concerns about their 'honour' and safety in public, is more likely to be region-specific than religion-specific.[11] That this is more prevalent in the North-Western part of our subcontinent may have something to do with the frequency of foreign invasions in this region throughout Indian history. But this historical fact, by itself, cannot explain the sex-differential in child mortality rates in

TABLE 9 : FERTILITY AND MARRIAGE AGE OF WOMEN

States	Average Number of Children Per Woman, 1951-61	Median Marriage Age (in years) in 1951-61
(1)	(2)	(3)
Andhra Pradesh	5.23	17.5
Assam	6.79	19.6
Bihar	5.82	16.6
Gujarat	6.17	19.3
Jammu and Kashmir	5.94	18.2
Karnataka	5.53	18.4
Kerala	5.10	22.0
Madhya Pradesh	5.78	16.3
Maharashtra	5.47	17.9
Orissa	5.35	18.4
Punjab	6.03	19.8
Rajasthan	5.70	16.6
Tamil Nadu	4.57	20.6
Uttar Pradesh	5.51	16.8
West Bengal	5.74	17.8
India	5.53	18.0

Notes : Column (2) is taken from Life Tables 1951-60, Census of India. Column (3) is taken from Kumudini Dandekar, 'Age at Marriage of Women', *Economic and Political Weekly*, June 1, 1974.

this region — compared to in East and South India. Of course, the male child is a potential source of economic support and gets the lion's share of parental attention and nourishment. But this should be true of all gions. Why is the neglect of female children supposed to be more acute in North and North-West India compared to in East and South India? Why is the male offspring more valued in the former region compared to in the latter?

This is wild guess, but it is worth noting: In all the states of East and South India (except Karnataka) the predominant crop is paddy which — unlike wheat and other dry-region crops — tends to be relatively intensive in female labour. Transplantation of paddy is an exclusively female job in the paddy areas; besides, female labour plays a very important role in weeding. harvesting and threshing of paddy. By contrast, in dry cultivation and even in wheat cultivation, under irrigation, the work involves more muscle power and less of tedious, often back-breaking, but delicate, operations (of which transplantation is an example). Could it be that, in areas with paddy agriculture, the economic value of a woman is more than in other areas — so that the female child is regarded less of a liability than in, say, North and North-West India?

This is a wild conjecture[12] and needs considerable detailed empirical work to give it some chance of verification. It is stated here only with the hope of provoking more work in this area. The specific conjecture in its narrow form may turn out to be false, but in general the question of the social and economic value of the woman is likely to be related to the ecological conditions and production relations of a particular region. It is our guess that the male offspring will be valued more in arid (or hilly) areas, where occupations like hunting, grazing and dry cultivation are chief sources of livelihood, than in areas where female participation may be just as useful as male. It is worth investigating if the so-called West Asian culture syndrome of male dominance and virility (which may have infected the social mores of the North and North-Western part of our subcontinent) does not originate in production conditions in which female labour would be less useful.

Notes

1 It is possible that in North India the minimum calorie requirement is also higher than the national average on account of climatic factors and larger body weights, but this is unlikely to change the quantitative conclusion drawn above.

2 See, for example, N S Scrimshaw, C E Taylor and J E Gordon, "Interactions of Nutrition and Infection", WHO Monograph Series, No 57, Geneva, 1968.

3 In the "Tamil Nadu Nutrition Study", USAID Report, 1973, this is described as the face-on-body "silhouette hypothesis" of intra-family distribution of food.

4 Estimates from the data contained in a fertility study of Greater Bombay, 1966, show that the educational level of the mother was the single most effective factor determining the level of infant mortality, See L T Ruzicka and T Kanitkar, 'Infant Mortality in Greater Bombay', *Demography India*, June 1973.

5 See "*Health Statistics of India*", Ministry of Health and Family Planning, Government of India.

6 See D Banerji, 'Health Behaviour of Rural Populations : Impact of Rural Health Services', *Economic and Political Weekly*, December 22, 1973.

7 T Maitra, B Dev and N Bhattacharya, 'An Enquiry on the Distribution of Public Education and Health Services in West Bengal', *Sankhya*, Series C, June 1974, forthcoming.

8 In Rajasthan and Jammu and Kashmir, however, the agricultural labour households form a very small part of the total rural households. This might lead to large random errors in the results.

9 For a good account see Pravin M Visaria, "The Sex Ratio of the Population of India", Census of India 1961, Monograph No 10, Chapters 8 and 9. See also M A El-Badry, 'Higher Female than Male Mortality in Some Countries of South Asia: A Digest', *Journal of the American Statistic Association*, December 1969.

10 It is possible that the seclusion of women within the household might be a factor making Muslim women more susceptible to tuberculosis mortality, Visaria, *op cit*, points to some evidence on higher incidence of tubercular infection among Muslim girls compared to their Hindu counterparts in the same age group as cited in J B McDoughall, "Tuberculosis: A Global Study in Social Pathology", Baltimore, 1949.

11 It will be interesting to compare the social customs in this respect of Muslims (and Hindus) in North-West India with those of Muslims in Kerala or in Bangladesh.

12 One immediate counter-example comes to mind. Comparing West Pakistan with East Pakistan for 1962-64, F Yusuf estimates that the life expectation at birth was 48.4 years for males and 46.0 years for females in East Pakistan and it was 51.5 years for males and 48.6 years for females in West. The male-female life expectation ratio seems to be about the same between the predominantly paddy-growing Eastern part and the predominantly wheat-growing Western part of erstwhile Pakistan. One has to examine this case more closely from the point of view of regional differences in access to nutrition, education and public health facilities as well as in other demographic particulars. Yusuf's estimates of life expectation are cited in Visaria, *op cit*, p 47.

World Economic Growth

WORLD gross domestic product in 1972 increased by 5.3 per cent over 1971, according to the UN's "Statistical Yearbook, 1973". World industrial production resumed its robust growth in 1972 after a two-year period of sluggishness beginning in late 1969. The index numbers indicated that industrial production of the world rose 7.3 per cent in 1972, which reflected increases of 7.9 per cent for the centrally planned economies and 7.1 per cent for the market economies as a whole. The corresponding figures for the developed market economies and for the developing market economies were 7.2 and 7.9 per cent, respectively. For individual branches of industry the largest percentage increase in the output was reported in chemicals, petroleum and coal products. It increased by 9.3 per cent in 1972. Other industries with substantial increases included electricity, gas and water by 8.9 per cent; metal products, 8.3 per cent; and basic metals, 7.8 per cent.

The world crops of main cereals in 1972 showed a decrease following the record crops harvested in 1971. The output of oats in 1972 declined by 11 per cent, rice by 4 per cent, wheat by 2 per cent and maize by 1 per cent. Substantial reduction was registered in the output of cocoa, coffee and potatoes. Production of soyabeans, tea, tobacco, cotton, milk and meat was higher than the 1971 level.

World exports in 1973 reached an all-time high of $ 565 billion, a staggering increase of about 37 per cent over the 1972 figure of $ 412 billion. However, an important part of this increase was due to the devaluation of the United States dollar in terms of which the value data are reported as well as the floating of many major currencies.

Reactionary Role of Usurer's Capital in Rural India

Pradhan H Prasad

The semi-proletariat of the agricultural sector constitutes the bulk of the rural poor. They comprise households who cultivate land mainly with the help of their family labour and at the same time supply labour to other cultivating class. Some of them own some cultivable land; quite a significant number lease in land mostly on crop-sharing basis; a sizeable section is landless agricultural labour.

Almost all the semi-proletariat households are deficit ones in the sense that their bare minimum consumption expenditures exceed their incomes. They are thus forced to take consumption loans both in cash and in kind from the big landowning class. The stipulated rates of interest on these loans are very high and, leave aside the loan, even full payment of interest is beyond the means of the semi-proletariat.

The big landowning class, however, does not insist on full payment even in the long run. It often forces the debtors to sell their assets (mostly land) but rarely for complete discharge of the debt obligation. It uses the debt obligation to force upon the direct producers in agriculture a system of unequal exchanges, thereby deriving enormous economic benefits in such forms as cheap and assured labour and better terms for leasing out land.

IN the course of our research work, we have come into intimate contact with some of the rural areas in Bihar.[1] This is the basis of the profile of the semi-proletariat that we present below. The bulk of the rural poor happen to be the semi-proletariat of the agricultural sector. They comprise households who cultivate land mainly with the help of their family labour and at the same time supply labour to other cultivating classes. They are the tillers of the soil in the real sense of the term who are the most oppressed among rural classes in the existing institutional set-up. Some of them own some cultivable land. Quite a significant number lease in land mostly on crop sharing basis but in some cases on terms requiring payment in cash or labour services. But there are others who do not own even homestead land. A sizeable section is landless agricultural labour. Almost all the semi-proletariat households are deficit ones in the sense that their bare minimum consumption expenditures exceed their incomes. They are thus forced to take consumption loans both in cash and in kind from the big landowning class who are the main constituent of the rural rich. The stipulated rates of interest on these loans are very high, often as high as 100 per cent per annum. Leave aside the loan, even the full payment of interest is beyond their means.

The big landowning class, however, does not insist on full payment even in the long run. It often forces the debtors to sell their assets (mostly land) but rarely for complete discharge of the debt obligation. It uses this debt obligation to force upon the direct producers a system of unequal exchanges, thereby deriving enormous economic benefits such as cheap and assured labour for its own cultivation and better terms for leasing-out land. It, thus, appropriates almost the entire surplus value to itself.

The characteristic feature of this set-up which we may call semi-feudal, is that an indissoluble bond between the semi-proletariat and his overlord is maintained by resort to usury. It is precisely because of this that the landless agricultural labourers have been categorised here as semi-proletariat. The proletariat as a class is found in a capitalist set-up where it is free to sell its labour power. On the other hand, in a semi-feudal set-up *de facto* it is not free to sell its labour power. Only in a very narrow legal sense of the term can it be said that its involvement in the labour market is voluntary. As no system can afford to give less than subsistence to its direct producers, the big landowning-cum-usurer class does not stop lending even when he knows it to be beyond the capacity of the debtor to pay it back in the narrow legal sense of the term. Often the loans outstanding exceed the total value of the assets of the debtors. The enormous economic power which gets concen-

TABLE 1: PERCENTAGE OF CONSUMER EXPENDITURE TO TOTAL NET RECEIPT BY 'ANNUAL TOTAL' RECEIPT CLASS IN RURAL AREA

States	Annual Total Net Receipt Per Household (Rs)		< 300	300-599	600-999	1000-1999	2000-2990	≥ 3000
Gujarat	A		1086.18	231.03	173.12	132.00	97.33	65.33
	B		463.88	137.59	134.49	117.90	108.13	71.91
Madhya Pradesh	A		526.06	146.72	120.57	115.21	91.73	84.80
	B		193.77	117.58	122.24	111.21	89.40	99.79
Maharashtra	A		608.19	265.70	156.94	120.81	95.62	85.89
	B		663.80	113.36	125.64	129.32	105.39	78.48
Karnataka	A		1395.68	298.92	176.89	138.69	102.32	65.70
	B		693.51	204.96	150.91	112.49	94.82	56.07
Orissa	A		324.22	140.15	124.94	116.79	120.93	140.52
	B		213.74	116.90	114.38	112.59	100.21	67.04
Punjab	A		—	—	86.99	115.70	91.85	66.30
	B		—	114.58	111.95	115.84	93.97	79.52
Rajasthan	A		62.78	233.95	140.88	162.17	104.26	88.69
	B		83.25	127.11	100.50	121.52	85.47	65.16
Tamil Nadu	A		580.93	220.93	179.81	105.24	109.74	87.23
	B		689.98	215.14	131.53	112.14	93.91	89.47
Uttar Pradesh	A		442.48	147.33	120.93	107.43	102.80	81.15
	B		143.11	120.11	111.15	93.38	79.28	97.45

A: Lowest 10 per cent of the rural household having cultivated land.

B: Non-cultivating wage-earner rural household.

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trated in the process in the hands of the big landowning class not only allows it to dominate over the economic activities of the area but also makes it politically very powerful. And it is this class which shuns rapid development because it is likely to improve the economic condition of the semi-proletariat who can thereby free itself from the bondage. This, as such, would be against the interest of the big landowning class. That is why they approach the whole process of production and distribution mainly with a view to perpetuating this semi-feudal bondage rather than allowing rapid rate of investment and intensive use of available means of production in the rural areas. Here the usurer's capital plays a historically reactionary role which is not only responsible for low use of means of production and inimical to net investment in the agricultural sector but is also responsible for widespread poverty, debt-slavery and semi-feudal bondage.

So far the sample from which we have drawn our data is too small for any generalisation for the country as a whole. But there are facts which lend support to the thesis that the aforesaid semi-feudal model (but for variations in details) is, by and large, valid for most part of the rural India. Empirical evidence in support of widespread rural indebtedness is available in the All-India Rural Credit Survey Report for the period 1951-52, All-India Rural Debt and Investment Survey Report for the period 1961-62 and All-India Rural Household Survey for the mid-sixties period carried out by National Council of Applied Economic Research. The 25th Round National Sample Survey for the period July 1970-June 1971 provides further evidence in support of the thesis. This is the survey of the weaker section of the rural population which has been divided into two categories, namely, the lowest 10 per cent of the rural households having cultivated land and non-cultivating wage-earner rural households. If one accepts the time disposition criteria for determining the occupation of the sample, it would be evident that the class character of the sample is that of semi-proletariat of the agricultural sector (Table 3). It would be also evident from Table 1 that the vast majority of households remain deficit ones. In some cases consumption expenditure is over ten times the net receipt. So acute is the deficit that the repayment of loans invariably remains much less than the loans taken during the year (Table 3). In the case of the

TABLE 2: PERCENTAGE OF DISBURSEMENT TO GROSS FARM INCOME FOR THE LOWEST 10 PER CENT OF RURAL HOUSEHOLDS HAVING CULTIVATED LAND BY ANNUAL TOTAL RECEIPT CLASS

States \ Annual Total Net Receipt Per Household (Rs)	< 300	300-599	600-999	1000-1999	2000-2999	≥ 3000
Gujarat	86.77	56.99	37.20	29.29	27.53	24.98
Madhya Pradesh	56.01	30.29	26.51	22.44	21.07	23.19
Maharashtra	39.12	38.05	31.09	25.46	24.77	16.15
Karnataka	102.25	37.56	21.17	18.62	18.54	16.59
Orissa	25.20	10.45	8.77	7.97	10.07	7.02
Punjab	—	—	17.89	36.05	25.59	22.03
Rajasthan	65.95	36.98	26.04	29.83	22.68	24.04
Tamil Nadu	58.24	42.70	47.64	24.89	84.23	20.60
Uttar Pradesh	75.58	40.28	32.83	31.80	27.51	23.42

TABLE 3

States	Annual Total Net Receipt Per Household (Rs)	Percentage Distribution of Man-days in Wage-Earning Occupation		Percentage of Man-days Spent on Working for Wages on Farm to Total Spent on Wage		Percentage of Loans Repaid to Loan Taken during the Year		Percentage of Total Value of Assets to Total Loans Outstanding for the Asset Group Having Total Assets of Less than Rs 100		Correlation Coefficient between Percentage of Consumer Expenditure to Total Net Receipt and Percentage of Disbursement to Gross Farm Income
		A	B	A	B	A	B	A	B	
Gujarat	44.80	82.63	87.37	83.06	37.72	30.47	170.51	6.86	0.93*
Madhya Pradesh	72.64	92.98	89.24	90.75	38.45	20.98	53.19	19.55	0.95*
Maharashtra	78.07	93.85	91.12	91.99	28.58	23.86	NA	59.80	0.78
Mysore	65.65	93.86	93.06	89.35	23.98	35.75	3.21	5.37	0.99*
Orissa	69.50	83.98	83.04	81.34	8.46	14.13	1.01	91.78	0.97*
Punjab	16.68	93.02	90.45	78.35	26.31	46.02	NA	20.98	0.77
Rajasthan	34.80	76.58	67.22	73.37	22.79	28.74	NA	3.39	0.16
Tamil Nadu	64.95	94.06	89.67	78.22	18.54	33.50	68.56	13.69	0.27
Uttar Pradesh	52.39	82.28	84.87	79.44	116.53	36.13	100	30.89	0.99*

A: Lowest 10 per cent of the rural households having cultivated land.
B: Non-cultivating wage earner rural household.
* Significant at 1 per cent level.

TABLE 4

Years	Consumption of Energy (Kwh) Per Energised Irrigation Pump
1951	7500
1956	6560
1961	5240
1966	4470
1971	2730

lowest asset group, that is, those having total assets of less than Rs 100 the loans outstanding in most of the cases remain much more than the value of their total assets (Table 3). Continuation of such an absence of capitalist commercial relation between debtor and creditor can only be explained in terms of debt-bondage and debt-slavery.

It gives rise to a system of 'unequal exchanges' with the result that the economically weak households find themselves at a disadvantage in the context of the terms for leasing-in land, hiring bullocks and irrigation charges. This is not all. They are left with little option but to make distress sale almost just after the harvest. The little that is left after the sale is used up before the start of the next cultivating season. Often, they find that they do not have even seed for the next round of cutivation. They have no other option but to borrow cash at a high rate of interest and purchase seeds when prices are at their peak.[2] Thus, those faced with such 'unequal exchanges' would find that the proportion of paid out cost (i e, disbursement) to the gross output would be higher in their case than that of the others even when they may be economising on hiring labour and other inputs such as fertilisers and improved seeds, etc. A statewise comparison between Tables 1 and 2 shows that the higher the extent of deficit, the higher is the percentage of disbursement to gross farm income. The correlation co-efficient between them in a majority of cases is quite high and statistically significant (Table 3). That this has resulted in the semi-proletariat of the agricultural sector being gradually deprived of their land is evident from the facts contained in the First (1950-51) and Second (1956-57) Agriculture Labour Enquiries and the Rural Labour Enquiry (1964-65). The self-employment among the agricultural labourers has been steadily declining from 65 days in 1950-51 to 33 days in 1956-57 and to 25 days in 1964-65. In the Indian context, self-employment in the case of agricultural labour mostly means self-cultivation. What other conclusion can be drawn from this except that the semi-proletariat has been slowly losing land? The high rate of growth of agricultural labourers, higher than the rate of growth of the rural population, during the period 1961-71 also points to the same situation.[3]

The inefficiency of the semi-feudal set-up is well illustrated by the findings of Aparajita Chakravarty and Ashok Rudra.[4] Whereas in the small-sized group the owner-farmers' economic performance is better than those of the tenant farms, no such difference in economic performance is visible in case of the large-sized group, maybe because the big landowning class is more interested in using the usurers' capital for perpetuating and strengthening the semi-feudal bondage rather than in improving the economic performance of their farms. We can take yet another illustration. The declining consumption of energy per energised irrigation pump (Table 4) in a situation where hardly one-fifth of the rural areas were electrified, is an illustration of wasteful use of available means of production.[5] By 1971 there was no shortage of power which could explain this. It may partly be explained by an argument that rural electrification has been effected in areas where the need for irrigation is low or the availability of groundwater resources inadequate. But even this irrational approach to rural electrification can be traced to the enormous political power of the big landowning class. More often, the priority in rural electrification is accorded to areas where big landowners live irrespective of the consideration whether the need for irrigation in the area is high or the availability of groundwater resources adequate. Argued in either fashion the end result is the same. The semi-feudal set-up remains inimical to development. What else can be concluded from all that has been said above except that usurers' capital continues to play its historically reactionary role in most parts of rural India.

Notes

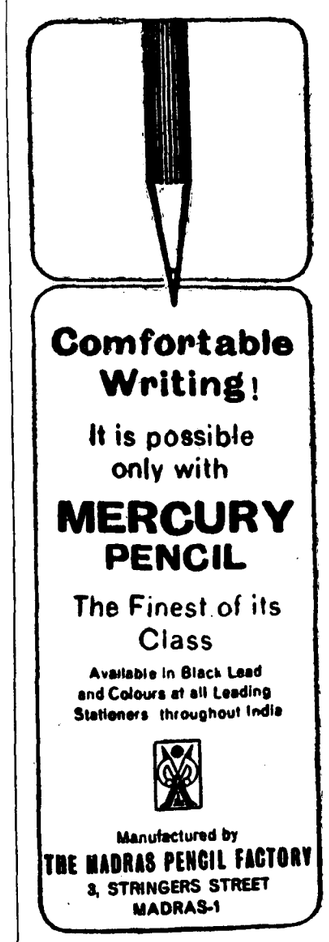
1 See Prasad, Pradhan H, "Production Relations: Achilles' Heel of Indian Planning", *Economic and Political Weekly*, May 12, 1973. See also Bhaduri, A, "A Study in Agricultural Backwardness under Semi-Feudalism", *Economic Journal*, March 1973.

2 See also Bhaduri, A, "Towards a Theory of Pre-capitalist Exchange", in Mitra, Ashok (ed), "Economic Theory and Planning" 1974.

3 The number of agricultural labourers in India between 1961-71 shows an average annual rate of growth of about 5.11 per cent. It should, however, be noted that the available 1971 Census data relate to a narrower concept of 'worker' than the earlier one and, therefore, the aforesaid estimate of rate of growth is probably an underestimate.

4 Chakravarty, Aparajita and Rudra, Ashok, "Economic Effects of Tenancy: Some Negative Results", *Economic and Political Weekly*, July 14, 1973.

5 Prasad, Pradhan H, "Rural Electrification — Whose Ally?", *Frontier*, November 3, 1973.



Farm Efficiency under Semi-Feudalism

A Critique of Marginalist Theories and Some Marxist Formulations

Nirmal K Chandra

Are small farmers more efficient than large ones? Are 'capitalist' farms cultivated in the main by hired labourers less efficient than family farms working with the help of family labour? Does crop-sharing depress productivity? These are the questions which we hope to answer in a specific historic context characterised by technological backwardness and massive unemployment, as one finds in West Bengal and most other parts of India.

Economists concerned with agriculture have debated these issues for at least two centuries. Among the marginalists there has been a spate of discussion in recent years triggered off by Georgescu-Roegan. In the first part of this essay from section 1 to section 5, we shall examine these writings from a theoretical standpoint but within the above-mentioned context.

The second part of the article, section 6 to 8, is devoted to an empirical verification and a critique of the marginalist theories. Our hypotheses regarding the issues in debate are also speeled out, based on our findings.

Although Marxists employ an entirely different analytical framework some of the questions asked are no different from those in bourgeois economics. Hence at the beginning of the final part a brief sketch of established Marxist ideas on the subject is given. It is followed by a rapid scrutiny of historical evidence available for West Bengal or for India as a whole. In the final section we seek to explain the apparent inconsistencies between the established Marxist ideas and the historical trends. These inconsistencies are traced to the existence of semi-feudalism, the basic features of which are also analysed.

ARE small farms more efficient than large ones? Are 'capitalist' farms cultivated in the main by hired labourers less efficient than family farms working with the help of family labour? Does crop-sharing depress productivity? These are the questions which we hope to answer in a specific historic context characterised by technological backwardness and massive unemployment as one finds in West Bengal and most other parts of India.

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I

"Standard" Marginalist Theory

We may begin with what might be regarded as the "standard" marginalist theory as it was first developed by Chayanov[1] but was expressed much more cogently and lucidly by Sen.[2] Given land and other non-labour inputs, output is a function of labour along with the usual characteristics, namely

(1) $Q = Q(L)$, Max $Q = (\bar{L})$
$Q'(L) > 0$ for $L < \bar{L}$
and $Q'(L) = 0$ for $L \geqslant \bar{L}$
$Q''(L) < 0$ for $L < \bar{L}$
and $Q''(L) = 0$ for $L \geqslant \bar{L}$

where Q is output and L is labour.

Utility, U, is a function of income[3] which in a one-commodity world is equal to the output-received and has again the usual properties, i e,

(2) $U = U(Q)$, with $U'(Q) > 0$
and $U''(Q) < 0$.

The disutility from labour is V which is another increasing function of labour; marginal disutility is also non-decreasing, i e,

(3) $V = V(L)$, $V'(L) \geqslant 0$, $V''(L) \geqslant 0$

Every economic agent is supposed to maximise his welfare (H) which is defined as

(4) $H = U - V$.

The owner cultivator will reach equilibrium at a point (L_s, Q_s)

where

(5) $Q'(L).\ U'(Q) = V'(L)$.

i e, the marginal utility of income from work equal the marginal disutility from work. For the capitalist farmer the corresponding equilibrium point $(L_e, Q_e$ will be given by the condition

(6) $Q'(L) = W$

where W is the market wage-rate. Since the capitalist farmer does not till the land himself, for him $V = 0$, and he will maximise his surplus (i e, output minus wage-bill) which will *ipso facto* maximise his utility as well as welfare.

It seems highly plausible that in backward agrarian economies with widespread underemployment $\frac{V'(L)}{U'(Q)} <$ W for the relevant range of values of L, i e, cultivators will be willing to till lands possessed by themselves for marginal earnings significantly below the wage-rate. More accurately, if we define the "real cost of labour" at the equilibrium point as

$$(7)\quad X = \frac{V'(L)}{U'(Q)} = Q'(L),$$

there is a strong presumption that $X < W$. This very crucial assumption can be justified along the following lines. Even if agricultural wages are

pegged to the subsistence minimum, wage rates for casual or daily labour may be a little higher to allow for a large proportion of jobless days in the year. The "real cost" at the margin for a cultivator is somewhat nearer the subsistence level since he has in general a more regular employment throughout the year.

Coming to the issue of relative efficiency, it will be seen below that, the owner-cultivator will put in more labour on and extract a higher output from land than the capitalist farmer.

In Figure I two different possibilities are shown.[4] $\overline{CAL}$ is the marginal product curve intersecting the wage-line EA at A and L_c is the equilibrium quantum of labour to be engaged by the capitalist farmer. V'(L) is indicated by the line DF. The equilibrium amount of labour to be put in by the owner-cultivator will depend on the position of the marginal utility curve corresponding to the marginal product line. Two possibilities are shown, namely, $B_1\ \overline{L}$ and $B_2\ \overline{L}$; the corresponding equilibrium labour inputs would be L_{s1} and L_{s2}. In both the cases production and labour inputs in the family farm are higher than in the capitalist farm.

Share-cropping, as long as the share is fixed by convention and the actual tiller is free to determine the quantum of labour inputs at any level he may like, will in general be less efficient than ownership cultivation. In this case, the labour disutility function remains the same as before, but the marginal product curve will be consistently lower except at the point $\overline{L}$. If (1 — r) is the tenant's share, then (1 — r). Q'(L) is indicated by $\overline{GL}$ in the Diagram; the marginal utility curve, i e, r.Q'(L).U'(Q) will invariably lie below the owner-cultivator's marginal utility curve. (The former is not shown in the Diagram.) Consequently, the equilibrium amount of tenant labour, L_T is less than L_s and also $Q_T < Q_s$. Hence by any yardstick, the volume of output received or welfare, self-cultivation (as long as it is feasible) is more desirable for the owner than leasing out on a share-rent basis.

If V'(L) lies much below the wage-line and has a gently rising slope,[5] then both $L_T > L_c$ and $QT > Qc$. Thus share-tenancy can be more efficient than capitalist farming; but this assertion is much weaker than the two earlier ones indicating the superiority of ownership cultivation *vis-a-vis* the other two types of farms.

Georgescu-Roegen[6] discards all the utility calculus so that for him U'(Q) = 1 and V'(L) = 0 for all the relevant values of Q and L. In this "special" case, as Sen puts it, equilibrium both under tenancy and under ownership-cultivation, takes place at $\overline{L}$. Thus $L_s = L_T = -\overline{L} > L_c$.

The capitalist farm is inefficient, the other two ensure operation at maximum efficiency.

Whatever be our reservations to be explained later, there is little doubt that the propositions made out so far do not strongly militate against commonsense. These seem to explain successfully the relative paucity of capitalist farms and the strong preference for self-cultivation among small and medium landowners.

II

A Challenge

A refreshing challenge against these "orthodox" conclusion came from S N Cheung[7] who sought to demonstrate that productive efficiency is invariant as between the three types of farms. Like Georgescu-Roegen he also discards the utility aspects and assumes that each economic agent maximises his income or net income subject to some constraints.

The landowner while he gives out land on share-tenancy, maximises his income and in the process determines the sharing ratio and the amount of labour to be put in by the tenant; the only constraint he is faced with is a perfectly elastic supply of tenant labour at the existing market wage-rate. Thus we have :

(7) Max r. Q(L)

Subject to w.L = (1—r). Q(L)

where the variables are as defined before. The solution to (7) will give equilibrium values of Q, L and r. Given an identical labour supply function for the capitalist farmer as well as for the owner-cultivator, it will be readily seen that $L_c = L_T = L_s$ and that the land owner's rent will exactly equal the capitalist farmer's surplus.

If such is the tenant labour supply function, the tenant also "maximises" his income from the land assigned to him by working upto the point L_T. To this extent the comment by Bardhan and Srinivasan[8] is a little misplaced when the latter allege that in Cheung's scheme the tenant has no decision-making role: the two critics are undoubtedly correct insofar as the tenant cannot choose the amount of land to be leased in by himself. But surely the landowner's decision in this context is more important in countries with a very high population pressure on land.

Precisely in such countries, however, Cheung's labour supply function is questionable. The few quotations he gives lay down, in our view, the

FIGURE I

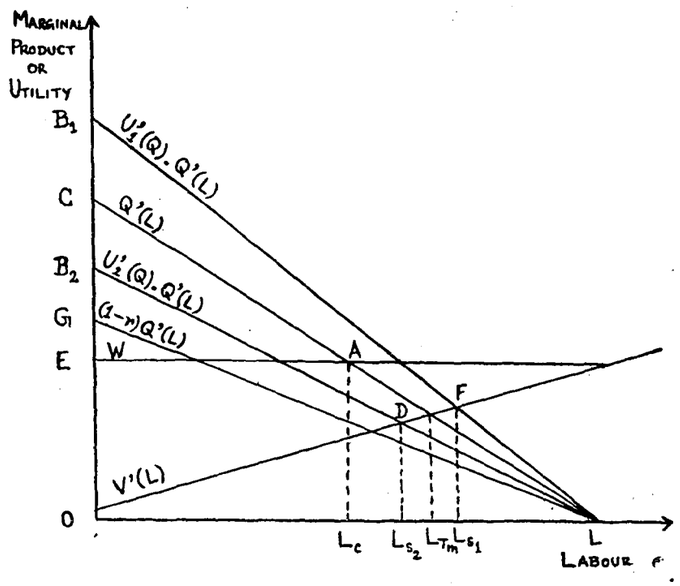


TABLE 1 : SOME CHARACTERISTICS OF THE SAMPLE VILLAGES

District		Villages	Advice Investment	Irrigation	Min Holding Size (in acres)	Max Holding Size (in acres)	Value of Crops Per Farm (Rs) Min	Value of Crops Per Farm (Rs) Max
			(1)	(2)	(3)	(4)	(5)	(6)
BURDWAN	(1)	Jotram	Yes	Canal	3.05	8.39	2259	6273
	(2)	Bhita	No	,,	3.13	20.67	2000	13393
	(3)	Chaknara	Yes	,,	2.88	11.21	3922	13316
	(4)	Amadpur	No	,,	3.17	10.29	2787	8477
	(5)	Mondalhat	Yes	Unirrigated	1.31	13.76	954	11241
	(6)	Goai	No	,,				
	(7)	Rangapara	Yes	,,	3.36	8.89	2031	6482
	(8)	Dhatrigram	No	,,	3.35	18.85	1682	11586
HOOGHLY	(9)	Goswamimalipara	Yes	Canal	3.53	10.29	2466	7556
	(10)	Kamalpur	No	,,	3.12	9.64	3912	10738
	(11)	Basudevpur	Yes	,,	0.81	11.54	1420	26290
	(12)	Pacha	No	,,				
BIRBHUM	(13)	Abinashpur	Yes	Canal	4.05	15.02	1893	6947
	(14)	Amritapur	No	,,	2.07	11.76	812	5806
	(15)	Nanoor	Yes	,,	4.27	12.82	2869	8833
	(16)	Joykrishnapur	No	,,				
	(17)	Kalikapur	Yes	Unirrigated	3.21	12.53	3500	8485
	(18)	Deriapur	No					
24-PARGANAS	(19)	Anarberia	Yes	Tubewell	2.27	9.61	1176	5870
	(20)	Bergoom	No	,,	3.54	13.34	1888	5900
	(21)	Mandalpara	Yes	,,	2.66	8.00	1871	3810
	(22)	Buzrukdigha	No	,,	9.02	1.71	787	6940
	(23)	Tegharia	Yes	Unirrigated	2.58	8.02	2022	8061
	(24)	Kolsur	No	,,	3.37	8.89	1058	3637
NADIA	(25)	Bainchia	Yes	Tubewell	4.39	11.13	1572	3733
	(26)	Arbandi	No	,,	3.96	12.44	1190	4191
	(27)	Paschim Bhatjangla	Yes	,,	4.23	10.80	1378	5536
	(28)	Bikrampore	No	,,	2.84	13.70	808	3975
	(29)	Assanagore	Yes	Unirrigated	1.99	15.66	1437	10530
	(30)	Tehatta	No	,,	2.75	14.54	546	3230

Notes : (1) The data in columns 3-6 refer to the year 1962-63 except for villages which appear for the first time in 1963-64.
(2) Vol I contains 'treated' villages only in 1962-63, Nos 1, 3, 7, 9, 13, 19, 21, 23, 25, 27, i e, 10 villages.
Vol II contains 'non-treated' villages only in 1962-63, Nos 2, 4, 8, 10, 14, 20, 22, 24, 26, 28, 30, i e, 11 villages.
Vol III for 1963-64 'treated' : *all 15* odd-numbered villages.
Vol IV for 1963-64 'non-treated' : all 15 even-numbered villages.
Vol V for 1964-65 'treated' : all 15 odd-numbered villages.
Vol VI for 1964-65 'non-treated' : all 15 even-numbered villages.

minimum amounts of labour and other inputs that the tenant is *obliged* to provide; nowhere in the contracts is the latter debarred from supplying extra inputs.[9] Following on our earlier discussion, there is a much stronger case for the labour supply function to lie below the wage line. Besides, an impressive volume of evidence has been presented over the decades by Kautsky, Lenin, H Levy and Chayanov[10] which show that the average rates of actual remuneration per work-day in family farms are often lower than the ruling agricultural wage rates at the same time and place. If the tenant is free to provide more labour than the minimum stipulated by the landlord in accordance with the system (7), and the tenant's labour supply curve lies below the wage-line, the tenant will tend to use the option, thereby increasing gains both for himself and the landlord. Cheung's results no longer hold good and we are back to Georgescu-Roegen's position.

Apart from its implausibility, there are also some logical gaps in Cheung's labour supply function. It can be retained if the tenant has a number of alternative job opportunities at the prevailing wage rate. Implicitly then there is labour scarcity. In such a situation, however, the criticism of Bardhan and Srinivasan becomes valid. The tenant should also have a say in determining the amount of land to be leased in; the one-sided maximisation process for the landlord alone will not be sufficient to ensure a stable equilibrium. More importantly, if the tenant's remuneration per work-day is no higher than the wage rate and if there is no difficulty in obtaining a labourer's job, a rational person should always prefer to be an agricultural labourer with fixed wages than a share-tenant who has to shoulder the risks as well as managerial responsibility.[11] He can be forced to take up tenancy only if other avenues of employment are restricted. Here lies an inescapable contradiction undermining the whole theoretical basis of Cheung's proposition.

Perhaps the worst drawback of the models of Cheung and of Bardhan and Srinivasan is their ahistorical character. Share-cropping is universally recognised to be a pre-capitalist institution that has not survived the development of capitalism except for limited periods, and that, too, in the stagnant backwaters of such an economy. Yet one seeks to probe the functioning of share-tenancy with text book assumptions of a perfectly competitive capitalist system with full employment!

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III

A Theoretical Counter-Revolution?

Lastly we come to Sau's[12] attempt to stand capitalist logic[13] on its head by proving that share-tenancy is more efficient than *ownership-cultivation* which, in its turn, is superior to capitalist farming. He makes use of the "standard" formulations given by the system (1)-(5) above. However, he takes the following labour supply function for non-capitalist farms:

$$(8)\quad C(L) = \frac{V'(L)}{U'(Q)} = \frac{dY}{dL}$$

where Y is the income. [For the owner-cultivator Y = Q, but for the tenant Y= (1—r). Q]. The function C(L) also indicates "the marginal rate of indifferent substitution between income and labour".

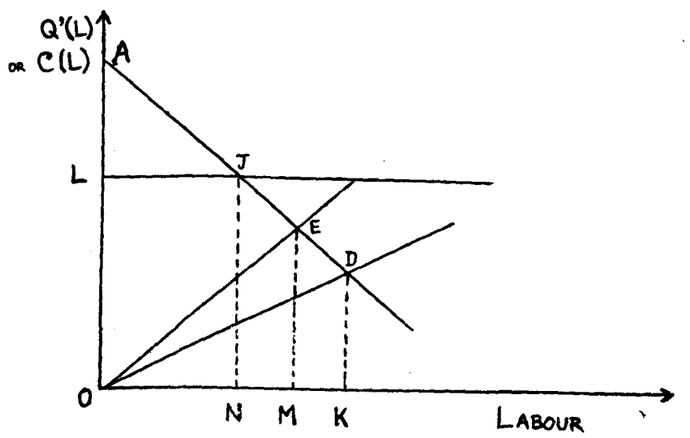
In Figure II AJED represents Q'(L), and OD is the tenant's C(L). Hence equilibrium will be at point D with the rental share r = OAD/OADK.

It is presumed that the landlord can by contract enforce a minimum amount of labour to be provided by the tenant. At the point D the former's income is maximised; the tenant, too, has no incentive to go beyond this.

Now since for any given L, the owner-cultivator will have a higher income than the tenant, the corresponding U'(Q) for the former would also be lower. Thus the labour supply function for the owner-cultivator will lie above that of the tenant. It is shown as OE so that equilibrium occurs at E. For the capitalist farmer J is the equilibrium point on the wage-line indicated by LJ.

If Sau were correct, there should be no capitalist farms as the landowner's net income, OAD, exceeds the capitalist surplus, LAJ. Further, leasing out land would enhance welfare compared to self-cultivation. The self-cultivator's total income and total utility may be higher than the landlord's, but considering the disutility of labour and the declining marginal utility of income, the landlord's welfare function would have a higher value. Looking simply at the 'net income', i e, total output minus payments to the tenants in the case of the landlord, and total output minus the portion that compensates for the disutility of labour in the case of the self-cultivator, the landlord is better off. On the other hand, this theoretical conclusion is completely at variance with the widely observed phenomenon of the peasant's preference for self-cultivation; if the theory were indeed true owners of any piece of land should always lease it out to share-tenants — rather than till it themselves.

FIGURE II



However, Sau's theoretical construct involves a serious logical contradiction. If, as Sau says, for any L, the tenant's marginal utility is higher than that of the self-cultivator, then the former's total utility (which is an integral of marginal utilities) is necessarily higher, too. But, for any L, the tenant's total income is less so that he is deemed to derive a greater utility from a smaller income than the self-cultivator. A misspecification of the latter's labour supply function is at the root of this trouble; for in (8) the whole of the self-cultivator's income enters into the picture. This income has, in fact, two components — one due to labour and the other due to land-ownership. This imputed rent cannot obviously affect the supply of labour. For the sake of consistency one should rewrite the marginal labour supply function as

$$(9)\quad S'(L) = \frac{V'(L)}{U'(Q_1)}$$

where Q_1 is the income from labour alone. In this way we obtain an identical labour supply curve for the tenant and the self-cultivator, which is as it should be. (We may also note that S'(L) coincides with Sau's C (L) for the tenant.) However, this S'(L) has little relevance for the owner-cultivator who, as before, will reach an equilibrium only when the marginal disutility from work equals the marginal utility from total income.

S'(L) can be relevant for the income-maximising landlord *only if* he is a monopsonist in the market for tenant-labour, i e, he has a monopoly in the market for land (more precisely, land to be rented out). It must be said to the credit of Sau that in effect he has been one of the first to introduce a monopoly element[14] into this kind of theoretical discussion — although he himself avoided the term and emphasised the fact of competition among the tenants! The importance of this factor (monopoly) in real life cannot be overemphasised.

Now assuming monopsony in the market for tenant labour, and the landlord's ability to fix the rental share as well as the quantum of labour in accordance with S'(L), the equilibrium output (Q_{Tm}) may or may not be higher than that under self-cultivation (Q_s). For obvious reasons Q_{Tm} will correspond to the intersection of S'(L) and Q'(L), whereas Q_s will be obtained, as before, from the intersection of V'(L) and U'(Q). Q'(L). As it was explained earlier, one does not know *a priori* whether U'(Q). Q'(L) would lie below Q'(L); by the same token the relative positions of V'(L) and S'(L) are uncertain. If V'(Q) = 1 throughout, then $Q_s = Q_{Tm}$; in all other cases the outcome is indeterminate. (A diagrammatic treatment is eschewed because it would be even clumsier than our Figure I).

Finally, we may note that the results of Georgescu-Roegen are unaffected by the introduction of monopsony. For, now that utility and disutility are removed from the scene, the tenant's labour supply curve (both the average and marginal) coincides with the L-axis in Figure I.

IV

Recapitulation

We may now briefly recapitulate the discussion so far.

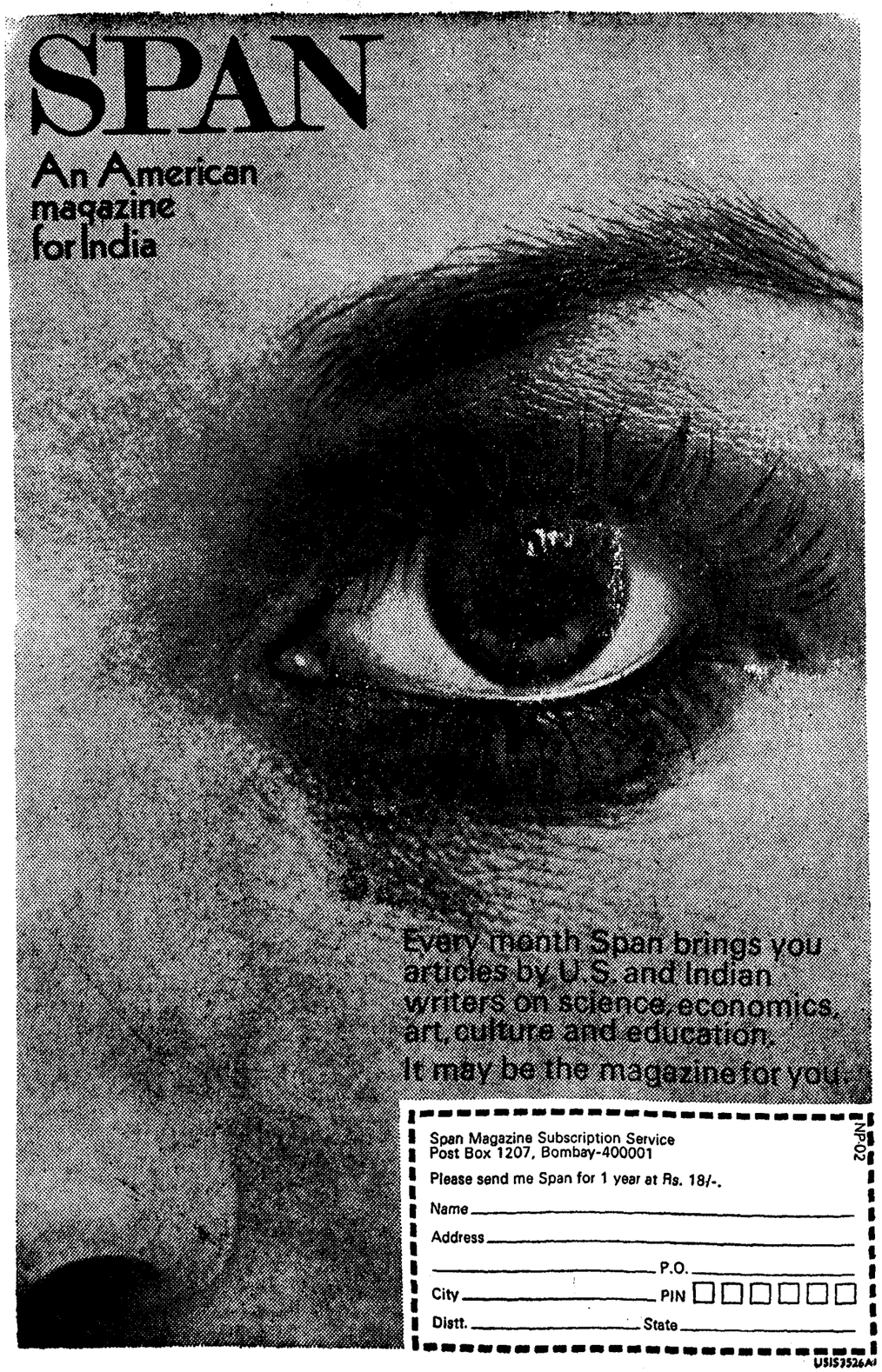


TABLE 2 : TWO-WAY ANOVA—SUMMARY TABLE SHOWING THE LEVELS OF SIGNIFICANCE OF THE MAIN FACTORS AND THE INTERACTION

(Per Cent)

		Study Variable											
		Output Per Acre						Labour Per Acre					
	Factor	Vol 1	Vol 2	Vol 3	Vol 4	Vol 5	Vol 6	Vol 1	Vol 2	Vol 3	Vol 4	Vol 5	Vol 6
ALL CROPS	V	1	1	1	1	1	1	1	1	1	1	1	1
	S	—	—	—	—	—	—	—	—	—	—	—	—
	V×S	—	—	—	5	5	—	—	—	—	—	1	—
	V	1	1	1	1	1	1	1	1	1	1	1	1
	H	—	—	—	—	—	—	—	—	—	—	—	—
	V×H	—	—	5	1	—	1	—	—	—	1	—	1
	V	1	1	1	1	1	1	1	1	1	1	1	1
	T	—	—	—	—	—	—	—	—	—	—	—	—
	V×T	—	—	—	—	—	—	—	—	—	—	—	—
AMAN	V	1	1	1	1	1	1	1	5	1	1	1	1
	S	—	—	—	—	—	—	—	—	—	—	—	—
	V×S	—	—	—	—	—	—	—	—	—	—	—	—
	V	1	1	1	1	1	1	1	1	1	1	1	1
	H	—	—	—	—	—	—	—	—	—	—	—	—
	V×H	—	—	—	—	—	—	—	—	—	—	—	—
	V	1	1	1	1	1	1	1	1	1	1	1	1
	T	—	—	—	—	—	—	—	—	—	—	—	—
	V×T	—	—	—	—	—	—	—	—	—	—	—	—

Factor :
V : Village; S : Size of farm; H : Proportion of hired labour to total labour;
T : Proportion of tenanted land to total land;
V × S : Interaction between village and size;
V × H : Interaction between village and proportion of hired labour to total labour;
V × T : Interaction between village and proportion of tenanted land to total land.

(1) If all are income-maximisers, disregarding utility and disutility, then *share-tenancy* and self-cultivation both ensure maximum output while capitalist farming produces less. For one who owns the land, self-cultivation as long as *it is feasible*, should yield the maximum income, between leasing-out on a share basis and capitalist farming, however, it is not possible to say whether 'feudal' rent would be higher than capitalist profit.

(2) In the "standard" case of welfare maximisation, self-cultivation is most efficient; both the level of output and owner's welfare are highest. Share-tenancy would probably give rise to greater output than capitalist farming; but feudal rent need not be higher than capitalist profit.

(3) If we again assume everyone to be a welfare-maximiser and if the tenant labour market is monopsonistic, the tenant's output may not be lower than that of the owner-cultivator; a similar uncertainty reigns if the landlord's welfare is compared to that of the owner-cultivator. Capitalist farms will have the lowest output and the corresponding level of the capitalist's welfare will probably be low as well.

It thus follows that under each consistent set of assumptions, there are differences in the efficiency levels of the three types of farms. In every case self-cultivation comes out superior to capitalist farming, but otherwise the ranking varies.

V

What Is to be Tested?

Most of the empirical literature investigating into the productive efficiency of different groups of farms confine themselves to a study of holding size and productivity. If one is interested in testing the validity or otherwise of the marginalist analysis of farm behaviour as outlined in Section IV, these are somewhat beside the point. For essentially, these tests are about the presence or absence of scale ecqnomies. In terms of that theory there are only two criteria for distinguishing between individual farms: the extent of hired labour used in the farm and the extent of leased-in area on a share-cropping arrangement in the total farm area. It may indeed, be true that in India small farms generally use little, if any, of hired labour (except under special circumstances). But there are undoubtedly many large families in our rural areas who cultivate their relatively large holdings primarily with family labour. There are also many small farms where owners are unable to till the soil for one reason or another and get it done by others. Further, the factor of tenancy is rarely taken into account in statistical tests. If the incidence of share-tenancy is unevenly distributed as between different size-groups of farms, and if tenancy has a negative impact on efficiency, then a straightforward size-productivity relationship (unadjusted for tenancy) loses a great deal of its significance.

There is a further problem if one compares merely the output per acre as between different types of farms. one needs the additional assumption that material inputs per acre are the same for each type of farm. Thus we may have the situation as depicted in Figure III. Let the hired labour (large) farm apply more of material inputs than the family labour (small) farm so that A'F' and A'F are the respective marginal productivity curves. As before WB and HL are the labour supply functions.[15] Hence equilibrium will be at B and C respectively. If the areas AA' BG and EDCG are equal to each other then output per acre remains the same. But the labour inputs per acre are still lower in the hired labour farm by the amount ED. Thus the latter is apparently substituting other material inputs for labour. If,



however, labour inputs per acre are also the same as between these two farms, the marginalist theory would seem to break down.

On the other hand, comparing only labour inputs per acre on the two farms is not sufficient as shown in Figure IV. As before let there be two different marginal productivity curves and labour supply functions for the two farms. It may, indeed, happen that C, the point of intersection between HL and AF lies directly below B, the point of intersection between WB and A'F'. Hence OD is the labour input in both farms, but total output in the hired labour farm is higher by the area AA' BC. Hence to test the theory adequately one must simultaneously compare output per acre and labour inputs per acre for the two farms.

It is not difficult to show how a simple comparison of only output (or labour inputs) per acre as between self-cultivated and tenanted farms can be vitiated in a similar fashion by the differences in the use of other material inputs. Could we not test it directly by introducing material inputs as one of the explanatory variables. We are reluctant to do this for two reasons. Firstly, from our limited knowledge of the manner in which farm data are collected, we believe that the accuracy of the data for different material inputs (except for some important cash-purchased items like fertilisers, etc) is considerably less than that of the data on holding size, labour inputs and output. Far more important is the reason that home-produced material inputs should not be valued at the market prices from the viewpoint of "standard" marginalist theory. Nor is it permissible from a Marxist point of view if pre-capitalist relations of production predominate. [15a]

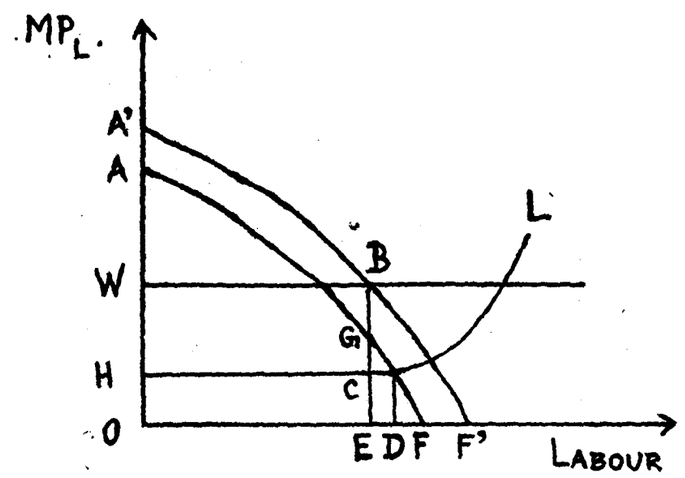
VI

The Nature of the Data

Our data are taken from the Study on Farm Management and Cost of Production of Crops: West Bengal, (briefly, the Study) published by the Socio-Economic and Evaluation Branch of the Department of Agriculture and Community Development, Government of West Bengal in six separate volumes[16] in the middle and late 1960s. A total of thirty villages from 5 districts in the central part of the state was chosen for the agricultural years 1962-63, 1963-64, and 1964-65.

The Study had two purposes: (a) to estimate the costs of production of various crops and (b) to find out the effect

FIGURE III



of 'treatment'. The 'treated' villages received 'advice and investment', i e, the farmers were told about "scientific methods of cultivation" and also got "additional investment in the form of fertilisers, improved seeds, plant protection chemicals, improved implements, etc, which the cultivator may ask for after he has received education in improved methods of cultivation." Consequently, the villages were chosen pairwise, one 'treated' and the other 'non-treated'; usually these were 5-10 miles away from each other.

The Study concentrated on the irrigated zones, along both sides of the Bhagirathi. Of the 30 villages, 12 were canal-irrigated, 8 were tubewell-irrigated, while the remainder was unirrigated.

The villages were so chosen that they represented a particular region in terms of soil quality and climate. The kind of crops grown was another factor. Further, the willingness of the village people to co-operate and the accessibility of the village throughout the year were also taken into account. Normally, six villages were chosen from each district; but considering different sizes of the districts 8 were chosen from Burdwan and only 4 from Hooghly.

Within each village 8 farms were selected. Usually, there was one farm from the 2-3 acre size group, 4 from the 4-6 acre group, 2 from the 7-10 acre group and 1 from the group with 10 acres or more. There were, however, many departures in this respect as it can be seen from Table 1.

The method of collecting data was quite rigorous. A regional centre with an agronomist at its head was responsible for every group of 6 villages. In each village there was a well-trained and experienced investigator who stayed within the village and paid daily visits to the responding farms.

The normal procedure was followed in measuring the physical volumes of inputs and outputs. Labour-days were recorded in units of quarter-days. We are not clear how the crops were valued. Family labour days were valued at the mean wage-rate (for casual labour) for the whole month during which the family labour was spent. For hired casual labour the actuals were taken. For permanent farm labour the implicit wage rate was calculated by dividing total annual payments, in cash or in kind, by the total number of days worked; labour expenditure for a particular crop was then obtained by multiplying such implicit wage rate by the number of days devoted to that crop.

For our purposes the Study data have some limitations. (a) At no stage was the principle of random sampling applied to make the data representative either of the region or of the village or of the size-classes within the villages. Hence one must be wary of generalisations. (b) The preponderance of irrigated villages makes the data somewhat unrepresentative. (c) The typical farm chosen belongs, by West Bengal standards, to the 'middle' or 'large' size groups. Very small farms (below 2.50 acres) are few and far between, although a majority of holdings in West Bengal is of this kind. (d)

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TABLE 3: P-LAMDA VALUES FOR REGRESSION CO-EFFICIENTS

Crop	Hypothesis	Output/Acre			Labour/Acre		
		b_1	b_2	b_3	b_1	b_2	b_3
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All Crops DF-162	NE	214.7588**	171.4427	131.5495	178.4910	226.5645**	177.3465
	GT	301.6252**	112.0172	145 9986	150.1485	166.0625	129.4424
	LT	68.8051	217.5968**	137.2482	186.4182	211.8390**	191.9965
Aman DF-158	NE	182.3364	171 9918	183 5783	217.7075**	172.8149	139.2137
	GT	175.8275	179.8768	142.5602	79.7890	204.7583**	127.6684
	LT	161.2704	152.4663	185.5253	285.2794**	123.1531	156.5235
Jute DF-126	NE	110.1916	125.1545	107.4165	180.6605**	166.3777*	133.2977
	GT	108.8523	139.0218	136.5104	52.1799	201.8145**	112.1702
	LT	129.7413	110.9031	97.7223	249.4283**	82.3498	144.4271
Potato DF-132	NE	190 3526**	152.9999	123.2299	200.1293**	150.6203	104.3336
	GT	158.9908*	162.7097*	140.5372	76.3261	163.6999*	114.4428
	LT	156.0360	121.3891	104.3010	247.2798**	117.2728	114.8893

* . Significant at 5 per cent level.
** : Significant at 1 per cent level.
NE: Regression co-efficient is not equal to zero.
GT: Regression co-efficient is greater than zero.
LT : Regression co-efficient is less than zero.

While there are many tenanted farms in the sample there is a considerable underrepresentation of this group as compared to the overall situation in the State. (e) The presence of 'investment and advice' can rightly be considered to be a disturbing element.

With all these caveats thrown in, we nevertheless believe that an analysis of such a large number of observations, 648 in all, would not be worthless. Systematic tendencies, as postulated in marginalist theories, should reveal themselves if, indeed, they are present at all. Besides, most other farm management data have their own limitations as well.

Finally, we may note — although the Study does not make it explicit — that the technology of cultivation was fairly rudimentary in the sample farms. Canal irrigation made some dent, but apparently it was less than in some other parts of India. Similarly, the region was characterised by the existence of a lot of surplus labour.[17]

VII
Statistical Test

A series of tests was performed on the data which are now described. Although the Study contains information on many crops we have concentrated on 'all crops' and *aman* paddy. The former needs no justification. The reason for choosing the latter is that it is the most important single crop for every farm and indeed for the whole of West Bengal accounting for about two-thirds of the net cultivated area in the state. Of the other crops only jute (the most labour-intensive) and potato (the most capital-intensive) were chosen for regression analysis.

Test I: The underlying model for the two-way analysis of variance (ANOVA) is the standard one where the study variable is either output or labour per acre. The main factors are: (a) village and (b) any one of the 'other factors' like size, labour-type and tenancy. Only two crops were considered — 'all crops' and *aman* paddy. Corresponding to each crop, each study variable and each volume of the Study, we had three ANOVA tables corresponding to the three 'other factors'; thus there were 72 tables in all.

Three levels of the size factor were allowed. In the 'all crops' case these were given by the overall values of crop production — less than Rs 2,000, between Rs 2,000 and Rs 8,000, and over Rs 8,000. For *aman* paddy the three size-groups were — less than 3 acres between 3 and 7 acres, and over 7 acres. For labour type only two levels were considered: whether or not the proportion of hired to total labour inputs exceeded 50 per cent. Similarly, two levels of tenancy were reckoned with: whether or not the proportion of tenanted to total cultivated land exceeded 50 per cent; since we have no information on *aman* acreage leased in the same data as for all crops are used. The variable output per acre was consistently measured in Rs/acre. Labour inputs per acre were measured in Rs/acre for 'all crops'; for *aman* paddy the unit was labour days per acre, assuming that the conversion co-efficients for male, female and child labour were respectively 1.0, 0.8, and 0.5.

In order to save space the results of the analysis[18] are given in a summary form in Table 2. From these we find that (a) the village factor is uniformly significant at the 1 per cent level; (b) none of the other factors are significant; and (c) the interaction term is significant only in 8 cases of 72. From these one may infer that:

(i) inter-village differences are extremely important[19] so that any kind of statistical exercise must eliminate this factor before other factors are considered; and
(ii) none of the other factors like size, labour type or tenancy, taken separately, appear to have any impact on output or labour per acre.

On the other hand, there are two possible criticisms. Firstly, in our exercises the three 'other factors' are taken into account individually whereas in real life they appear simultaneously. Secondly, from the standpoint of the 'standard marginalist theory' it may be argued that the inter-village differences reflect not so much variations in the productivity of land as those in the real cost of labour. Hence one should at least consider a group of villages so that between them these real costs of labour may vary. Hence we pass on to the next test.

Test: II: The regression model may be stated as follows:

$$Y = \text{const.} + b_1X_1 + b_2X_2 + b_3X_3 \quad (10)$$

where Y is output or labour per acre;

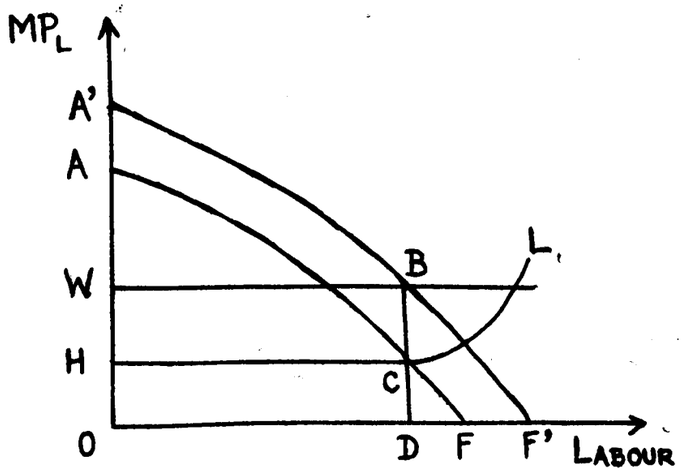
X_1 is the size of the farm; X_2 is the proportion of hired to total labour; and X_3 is the proportion of tenanted to total cultivated area. b_1, b_2 and b_3 are the parameters. As before, output is measured in rupees, labour inputs in rupees for 'all crops' and in days for three individual crops (*aman*, jute and potato), and size for 'all crops' in value of output and for the individual crops in acreage planted. Regarding X_2 we have separate crop-wise farm-wise data, but for X_3 we have only farm-wise data which are used for all the crops.

Since inter-village differences are important, a separate regression was run for each village in every year. Thus for analysing, for instance, the behaviour of *aman* output per acre we have run a total of 79 regressions and an equal number for labour days per acre in *aman* production. Now for each of these regressions we have only 8 observations but 3 independent variables so that there are only 4 degrees of freedom. It is quite likely that most of the regression co-efficients at the village level are non-significant; had there been more observations per village some or all of these co-efficients might turn out to be significant. Fortunately there is the P-lamda test[20] that enables us to pool, for instance, b_1 for all the villages and find out whether or not it is significant for the totality of these villages. In Table 3 we give the P-lamda values, combining all the volumes in the Study. Table 4 gives a summary for each crop and each volume, indicating only the levels of significance of the P-lamda values.

In our tests we have allowed for three possibilities of a regression co-efficient being not equal to zero (NE), greater than zero (GT) and less than zero (LT). Here we may point to two curious cases in Table 4 column (3) and the rows for volumes III and IV under potato : it is seen that *both* the hypotheses of increasing *and* decreasing scale are valid for potato output per acre. We leave it to the statisticians to tell us its statistical implications.

Looking at Table 3 we find that the tenancy co-efficient is never significant. In regard to b_1 and b_2 the evidence is contradictory. (1) For all crops b_2 is negative whether output or labour per acre is considered, implying that hired labour is less efficient than family labour. For, the individual crops, however, it is non-significant in two cases and positive in four others. This would appear to contradict the earlier inference. (2) As for b_1, this scale factor is positive for 'all crops' when output per acre is the regressand, but non-significant in the case of labour per acre. Both for *aman* and jute b_1 is not significant when output per acre is considered; but larger farms seem to economise on labour. Only for potato, the most capital-intensive crop, does b_1 behave systematically; the larger farms are more efficient both in respect of land-use and labour-utilisation.

FIGURE IV



One may enquire why only a linear regression model was used and not some logarithmic form as has been successfully tried out by Bhattacharya and Saini,[21] for example. A moment's reflection will show that the three variables we have considered cannot be combined in a meaningful way if we take the logarithms of all variables. However, a semi-log model could be attempted where the regressand only takes the log form.

We have one reservation regarding the regression models, namely, that these leave out all scope for interaction among the variables. As we saw in Table 2, this may at times be important. Besides, once again this model does not allow for real labour costs to vary. Hence we pass on to the next test.

Test III: For the three-way analysis of variance the standard model is used once again where the three factors are X_1, X_2, and X_3 defined as in the previous Test II. The study variable is also the same as before.

The design of the present exercise is quite different from that of Test I. As there does not exist any convenient computational method for 3-way ANOVA with unequal numbers of observations per cell, we took several steps to make the problem manageable. First, we used the trial and error method to classify the villages in every volume into homogeneous groups. By means of one-way ANOVA we ensured that there were no significant differences between the villages with respect to the study variable (output or labour per acre) in question. Excepting in one case (see Table 5) we succeeded in grouping at least 4 villages as homogeneous, giving us a minimum of 32 observations. Second, by trial and error method again, we managed to find two levels for each of the main factors (X_1, X_2 and X_3) such that there were *at least* two observations per cell. Third, whenever a cell contained more than two observations a random sample of two was taken. In this way we could use the standard computational procedure since each cell contained an equal number of observations.

In Tables 5 and 6 are given the results of computation for 'all crops' and *aman* respectively. Very often more than one set of 'homogeneous' villages were found and analyses carried out; but these are not reported here merely to save space. The results are really striking; none of the main factors are significant at all and there is no exception to this proposition.

The possible marginalist objection to the two-way ANOVA mentioned earlier, does not apply here. Since a number of villages are lumped together some of which are located in different districts, it would be rather difficult to posit that there are no differences in the real costs of labour as between these villages.

TABLE 4 : P-LAMDA VALUES—SUMMARY TABLE INDICATING LEVELS OF SIGNIFICANCE FOR THE REGRESSION CO-EFFICIENTS WITH THEIR SIGNS

(Per Cent)

Crop	Vol	Output Per Acre			Labour Per Acre		
		b_1	b_2	b_3	b_1	b_2	b_3
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All Crops	I	1 (+)	1 (—)			1 (—)	1 (—)
	II	5 (+)			5 (—)		5 (—)
	III	5 (+)	5 (—)				1 (—)
	IV	1 (+)					
	V	1 (+)			5 (+)		
	VI	1 (+)				5 (—)	5 (+)
Aman	I			1 (—)	1 (—)		
	II				5 (—)	1 (+)	5 (—)
	III		5 (+)	1 (+)	1 (—)	5 (+)	
	IV	1 (+)		5 (—)	1 (—)		
	V	5 (+)	1 (—)	5 (+)	5 (—)		
	VI				1 (—)		
Jute	I				5 (—)	1 (+)	
	II				1 (—)	1 (+)	
	III			5 (+)	5 (—)	5 (+)	5 (+)
	IV				1 (—)	5 (+)	
	V	5 (—)	5 (—)	1 (—)	1 (—)		1 (—)
Potato	I	1 (+)	5 (+)		1 (—)		
	II	5 (—)					
	III	5 (+)	1 (+)	5 (+)	1 (—)		
		1 (—)					
	IV	5 (+)					
		5 (—)					
	V				1 (—)		
	VI				1 (—)	1 (+)	

OVER-VIEW

Our tests so far have one serious drawback. It is generally accepted that apart from the three explanatory variables discussed, irrigation is a crucial factor. Even if it does not always raise crop-wise productivity of land, it often enables more than one crop to be raised from the same plot of land. Unfortunately, our data source does not provide farm-wise statistics on the area irrigated. This lacuna is partly obviated by the fact that most villages in the sample are irrigated either by canal or by tube-wells as can be seen from Table 1. On the other hand, one may observe that most of the clusters of 'homogeneous' villages in Tables 5 and 6 contain at least one unirrigated village. This leads to the conjecture that even if we had detailed farm-wise information on irrigation, our results might not be affected. We might also concur with the widely held view that all types of irrigation need not have the same impact. Tube-wells, for example, are far more reliable from the individual cultivator's point of view than either old-fashioned tanks or government canals. That this will necessarily be reflected in differential productivity of land is, however, by no means self-evident.

We may briefly mention that we have also carried out certain tests on the 1970-71 farm-data collected in the course of the Farm Management Scheme under the Visvabharati University covering a 'properly' selected sample of 150 farms from 15 villages. Regarding HYV paddy we found that (a) small and tenants farms have taken to it on a large scale and (b) none of the three explanatory variables we have been considering are significant. Since irrigation is a *sine qua non* for HYV paddy, we felt no need to introduce it as a variable. Regarding other crops we have had some difficulties in carrying out all the tests that we want to and hence the presentation is postponed.

VIII

A Critique of Marginalism

We find that in the context of West Bengal in the early 1960s characterised by (i) a backward traditional technology in agriculture and (ii) a huge reserve army of underemployed in the rural areas, "standard" marginalist theories generally run counter to facts. Observations do not reveal any marked and systematic differences in the relative efficiency of capitalist, ownership or tenanted farms. Cheung's salvage operation fails, for it makes an implausible assumption regarding cultivators' labour supply function; but if that assumption is retained it leads to logical contradictions.

At the very root of the trouble, in our view lies that twice-differentiable production function[22] — the kernel of the neo-classical counter-revolution in economics. Except in the fantasy world of the ardent believers and practitioners of the Cobb-Douglas functions, including some of its more recent progenies with rather ugly but imposing names, such input-output relations do not appear to exist anywhere; at least we are yet to come across a single convincing empirical demonstration in its favour — either in manufacturing or in agriculture.

Apropos agriculture Viner has put a rhetorical question whether in fact there is any farm "on which, other factors of production being held constant in quantity and in form as well, it would not be possible by known methods, to obtain some addition to the crop by using additional labour in more careful selection and planting the seed, more intensive weeding, cultivation, thinning, and mulching, more painstaking harvesting, gleaning, and cleaning of the crop."[23] There is a certain ambiguity in the term "known": to the farmer? or to the experts? If it is the latter, then such "knowledge" does not have any bearing on the issue in debate. If it is the former, the question inevitably arises as to why is the farmer neglecting such known me-



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TABLE 5 : THREE-WAY ANOVA FOR ALL CROPS

Source (1)	DF (2)	Volume 1 Sum of Squares (3)	Volume 1 'F' (4)	Volume 2 Sum of Squares (5)	Volume 2 'F' (6)	Volume 3 Sum of Squares (7)	Volume 3 'F' (8)	Volume 4 Sum of Squares (9)	Volume 4 'F' (10)	Volume 5 Sum of Squares (11)	Volume 5 'F' (12)	Volume 6 Sum of Squares (13)	Volume 6 'F' (14)
Output per Acre													
Villages		(13,19,21,27)		(14,22,24,26,28)		(13,15,19,25,27,29)		(14,16,24,26,28,30)		(1,5,7,9,17,19,21)		(14,16,18,24,26,28,30)	
S	1	20807	3.431	2837	0.728	107564	16.157	31850	7.107	106571	4.115	49293	1.734
H	1	421	0.069	167	0.043	1016	0.153	6	0.001	5897	0.228	820	0.029
T	1	7413	1.222	3899	1.000	88	0.013	3467	0.773	89962	3.473	3990	0.140
S×H	1	15170	2.501	18	0.005	4042	0.607	219	0.049	29609	1.143	8813	0.310
S×T	1	72	0.012	6343	1.627	1289	0.194	259	0.058	23788	0.918	13955	0.491
H×T	1	3365	0.555	3733	0.958	106	0.016	989	0.221	7785	0.301	1204	0.042
S×H×T	1	4465	0.736	761	0.195	5713	0.858	1081	0.241	6860	0.265	1070	0.038
Error	8	48523		31174		53254		35852		207211		227434	
Total	15	100237		48933		173064		73723		477684		306579	
Labour per Acre													
Villages		(1,3,7,25,27)				(1,3,9,13,15,25,27)		(2,16,18,26,28,30)		(1,3,7,9,15,17,25,27,29)		(2,4,6,8,20,22)	
S	1	103	0.055			18439	0.362	48	0.031	6469	8.696	184	0.046
H	1	1915	1.013			570	0.011	6	0.004	1586	2.132	1366	0.344
T	1	2580	1.365			50265	0.986	1223	0.774	3050	4.100	136	0.034
S×H	1	2227	1.178			541	0.011	106	0.067	1773	2.384	1538	0.387
S×T	1	7786	4.119			140318	2.753	681	0.431	7833	10.529	1670	0.421
H×T	1	1353	0.716			19	0.001	832	0.526	6972	9.372	9496	2.391
S×H×T	1	615	0.325			1154	0.023	130	0.082	3558	4.783	5012	1.262
Error	8	15123				407707		12646		5951		31772	
Total	15	31702				619014		15672		37193		51176	

S : Size of Farm; H : Proportion of hired labour to total labour; T : Proportion of tenanted land to total land.

TABLE 6 : THREE-WAY ANOVA FOR AMAN PADDY

Source (1)	DF (2)	Volume 1 Sum of Squares (3)	Volume 1 'F' (4)	Volume 2 Sum of Squares (5)	Volume 2 'F' (6)	Volume 3 Sum of Squares (7)	Volume 3 'F' (8)	Volume 4 Sum of Squares (9)	Volume 4 'F' (10)	Volume 5 Sum of Squares (11)	Volume 5 'F' (12)	Volume 6 Sum of Squares (13)	Volume 6 'F' (14)
Output per Acre													
Villages		(7,9,13,19,21,23)		(14,20,22,24,26,28,30)		(1,3,9,11,13,15)		(16,18,20,24,26)		(5,7,9,11,17,25)		(16,18,22,24,26,28,30)	
S	1	736	0.152	13419	2.951	119	0.063	12606	2.624	25389	5.060	23650	3.183
H	1	1	0.000	169	0.037	2125	1.123	2451	0.510	1424	0.284	5881	0.792
T	1	57201	11.821	74	0.016	5146	2.718	975	0.203	19	0.004	16569	2.230
S×H	1	3	0.001	1688	0.371	5982	3.160	3620	0.754	6722	1.339	864	0.116
H×T	1	2410	0.498	2402	0.528	379	0.200	106	0.022	5639	1.124	1061	0.143
S×H×T	1	284	0.059	13065	2.873	1	0.000	2263	0.471	36127	7.200	2	0.000
Error	8	38712		36375		15144		38431		40140		59435	
Total	15	99387		70966		34436		105891		123348		107553	
Labour per Acre													
Villages		(1,3,7,9,19,25)		(4,8,10,20,22,24,26)		(7,9,19,21,27,29)		(2,4,6,8,10,22,24,28)		(7,9,11,17,21,25,27,29)		(6,8,10,14,16,22,24)	
S	1	3	0.035	80	0.485	0	0.000	173	0.775	1	0.012	6	0.051
H	1	59	0.600	431	2.603	22	0.100	187	0.838	0	0.000	301	2.584
T	1	17	0.177	108	0.656	94	0.430	346	1.545	38	0.317	72	0.619
S×H	1	73	0.738	99	0.598	648	2.969	9	0.041	0	0.000	17	0.143
S×T	1	119	1.209	68	0.413	40	0.183	7	0.031	46	0.388	200	1.715
H×T	1	5	0.057	222	1.341	448	2.052	5	0.020	424	3.574	9	0 076
S×H×T	1	11	0.110	267	1.611	94	0.429	72	0.320	447	3.766	24	0.202
Error	8	787		1325		1746		1790		949		933	
Total	15	1075		2602		3092		2589		1906		1561	

S: Size of Farm; H : Proportion of hired labour to total labour; T : Proportion of tenanted land to total land.

thods. We have not seen any American farms but we doubt if many beggars "imported" from poorer lands and let loose on American fields after harvesting could eke out a subsistence from grain-picking alone. The suggestion seems singularly inappropriate in the context of countries with 'disguised' unemployment; the Indian poor peasants, one would then have to believe, are the first cousins of Oblomov, that famous Russian character who preferred staying in bed so much that he could not eventually move out as illness overtook him.

Indeed, no observer of Indian agricultural practices has complained about the inadequacy of labour used or of any significant wastes that could be picked up by bare hands alone. In that standard work on "Rice in India"[24] there are many suggestions on how to improve the yield. But a marginal increment to labour inputs is not one of these. Other co-operative factors have to be brought into the picture.

The recent trend towards the high-yielding varieties of paddy may create a new situation. In this situation the age-old fixed proportions surely do not apply. There is little doubt that given sufficient water the yield can rise dramatically in response to new seeds, fertilisers, etc. There are numerous available estimates of the reaction rate of crops to fertilisers; but in all such studies labour and other inputs are allowed to vary simultaneously.[25]

We may thus conclude that marginalist theories have very little to offer by way of explaining farm behaviour in a backward labour surplus economy. It is doubtful too whether these can provide useful pointers that are now taking place under the impact of the New Agricultural Strategy. Quite often these may lead to objectively reactionary policy proposals.

IX

Established Marxist Formulations

The issues that we have raised so far cannot, in our view, be answered in a definitive manner by statistical analysis of the type that we have employed. Far more important is to enquire how far our conclusions fit in with historical realities, or to use a fashionable phrase, the stylised facts of history. Should the latter contradict us, we should conclude, not that history has behaved erratically or that economic agents have acted irrationally, but that we have failed to pose the questions in their proper perspective, or, to use a jargon once again, that our econometric model has been misspecified.

Let us start with the stylised facts of agrarian evolution as depicted by Kautsky and Lenin,[26] which have since become the staple diet for all Marxists. Working independently on the problems of Germany and Russia respectively, both the authors viewed agriculture as part of the national economy that was undergoing capitalist transformation. Industries were coming up at a high rate employing a growing proportion of the national workforce. On the one hand, industrial development provided new inputs to agriculture in the form of machinery and chemicals, unleashing new productive forces in agriculture. On the other hand, rising agricultural prosperity created new markets for industrial consumer goods. Simultaneously, the growth in the production of commercial crops not only helped industrial development by supplying the raw materials, but also brought in extra cash for the agricultural population a part of which is spent on industrial goods. The whole process is thus characterised by the interaction of industry and agriculture in the mutual interest of both these sectors. Of course, there may be periods when through unequal exchange agriculture as a whole may suffer; but over the long haul, nearly all the surviving classes are better off, even if the distribution of gains is highly inegalitarian.

Viewed against this perspective Kautsky and Lenin formulated the following laws of motion for agriculture:

(a) The law of increasing returns to scale operates as much in agriculture as in industry so that large-scale farms are superior to small-scale ones.

(b) As a consequence of (a), there is a continuous differentiation among the peasantry, i e,

(i) land gets increasingly concentrated in the hands of fewer and fewer persons; and

(ii) the ranks of agricultural workers get swelled so that they form an even larger proportion of the total agricultural population.

(c) The extent of share-cropping declines over time. For, this kind of tenancy is precapitalist in nature and obviously does not suit the interests of the big farmers.

(d) Alongside (b), agricultural production is increasingly oriented, not towards the cultivator's self-consumption, but towards the outside market, whether in the form of food or cash crops.

Of all these, the law (b) occupies the centre of the stage as it were. The reason is entirely political. For, (b) practically defines the dominant form of class struggle in the countryside, the predominant mode of production in the given epoch. Older modes of production may exist over vast territories, but they are already doomed to extinction.

Most writers on the Indian economic scene using the Marxian framework, have put the accent on law (b). Thus in his "India Today and Tomorrow",[27] a work that in our view is still unsurpassed after nearly four decades, R Palme Dutt refers to the whole process of deterioration, expropriation and increasing class differentiation among the peasantry that went on from the early twentieth century to the end of the Second World War. He also approvingly uses S J Patel's figures to show that agricultural workers constituted an increasing part of the total agricultural population (pp 85, 91). In an erudite study of the economic structure of Bengal villages during the British period, Ramkrishna Mukherji mentions increasing concentration of land-ownership. Since, in Mukherji's view, the absence of irrigation precluded other kinds of capital investment in agriculture, there were no special advantages of large-scale farming and sharecropping was more widespread than large farms based on hired labour.[28] Then Bhowani Sen, not only a brilliant theorist but also a leading spirit behind the communist-led Tebhaga movement of the Bengal sharecroppers against their landlords, has echoed the arguments of Palme Dutt. Since the beginning of this century land was passing out of the hands of the tillers who now became agricultural labourers, accounting for a rising part of the agricultural population. Sen also believed that capitalist relations are growing, although it is a "rickety" capitalism.[29] Neither Dutt nor Sen make any reference to the superiority of large-scale over small farms in India. Recently, Utsa Patnaik, on the basis of a study of 66 large farms scattered all over India, has forcefully argued that all the laws of motion propounded by Kautsky and Lenin are fully valid in the context of our country in the 1960s, if not earlier, and that a vigorous capitalist development is indeed taking place.[30]

X

Historical Evidence

Let us now turn to the relevant historical facts, beginning with land concentration. As is well known, there are hardly any reliable tables on land-distribution either for the country as a whole or for any part of it, extending over a long period of time. Hence any conclusion is necessarily tentative and conjectural. (i) Rajat and Ratna Ray have given us estimates of the land distribution in Dinajpur in 1808 based on Buchanan's "Geographic Description of Dinajpur". Comparing these with the Floud Commission figures for 1940, one does not notice any polarisation.[31] (ii) N K Ghosh has compared the data for West Bengal in the years 1940, 1953-54 and 1961-62, taken respectively from the Floud Commission, NSS 8th Round and NSS 17th Round. The Lorenz ratio of concentration of land-ownership remained unchanged over the period as a whole.[32] (iii) Reworking on Ramkrishna Mukherji's data on six Bogra villages between 1920 and 1942, Rajat and Ratna Ray point out that the jotedars, the rich farmers, increased their holdings by 1.3 per cent, against self-sufficient raiyat's gain of 3.2 per cent and a loss of 0.16 per cent by the share-croppers. In the same vein they quote from Hashim Amir Ali's study of a few villages near Santiniketan between 1933 and 1958.[33]

A secular stability in land distribution is by no means incompatible with cyclical fluctuations. During the Great Depression of the 1930s about 7 per cent of land was sold in Bengal, a good third of which may have gone to non-agriculturists families.[34] A large amount of similar data from different areas of Bengal and other parts of India for the period 1920-44 has been marshalled by Karunamoy Mukherji to show that the crises of the 1930s and 1943 led to large-scale land-transfer.[35] However, the sellers were not always small farmers; the purchasers too did not always come from the class of jotedars.[36]

Although data on the occupational structure of the agricultural population are available for every census since 1872, inter-censal changes in definitions make any conclusion nearly as tentative as that on land distribution. (i) Rajat and Ratna Ray in their study mentioned earlier found that the proportion of sharecroppers and agricultural labourers declined from around one-half to one-third of the agricultural population between 1808 and 1938 in the districts of Dinajpur and Rangpur. Including the category of "cultivators owning part, renting part, and working for hire" which appeared for the first time in the 1961 Census for East Pakistan, the overall proportion of these three occupational classes in 1961 as compared to the year 1808, was somewhat less in Dinajpur but considerably so in Rangpur. The authors make a negative point: the proportion did not go up. (ii) S J Patel reworked the Census data from 1871-72 to 1931. For India he finds a steady increase in the proportion of agricultural labourers and their families to the agricultural population from 13 per cent in 1891 to 22 per cent in 1911; agricultural labourers as a proportion of the working population in rural India went up from 26 per cent to 38 per cent in 1921-31. Patel included all unspecified labourers in agriculture in the category of agricultural labourers. For Bengal the corresponding percentages were 4.8 and 10.0 in 1901 and 1911, and 17.7 and 33.2 in 1921 and 1931.[37] (iii) According to J Krishnamurty, however, the percentage of male agricultural workers in male agricultural workforce remained fairly static for India between 1901 and 1961.[38] It may be no higher in 1971.[39] He distributed all 'unspecified labour' *pro rata* between agricultural labour, construction and certain branches.

A related question is that of 'deindustrialisation', i e, an ever smaller part of the working population being engaged in manufacturing. Unadjusted Census estimates upto 1931 would support such a contention. However, the Thorners have contested this; by lumping together manufacturing and many categories of vendors they find a rather stable ratio.[40] Krishnamurty in his paper cited above finds a slight fall till 1931 and increases in 1951 and 1961 when the ratios were above the 1911 level.[41] The Thorners made the heroic assumption that any loss in the handicraft sector was just made good by a corresponding rise in the 'modern' sector. Krishnamurty believed that "factory employment grew partly at the expense of non-factory employment."

In view of these controversies we cannot arrive at a "reasonable" conclusion; the assumptions made by different authors are questionable. In the absence of more definitive data one may presume that (a) agricultural workers as a proportion of the agricultural workforce may have gone up somewhat and (b) a part of this rise may have been caused by the disappearance of village industries. At least in the West Bengal villages one often hears of dying crafts and trades, yet Krishnamurty's computation showed that the manufacturing population in the total male workforce went up from 9.8 to 14.7 per cent in 1951-61. Even allowing for the growth of the urban large- and small-scale industries this seems to be too large.

Coming next to the problem of sharecropping, at least in the context of Bengal, no one has suggested that it is a dying institution, even less that it is substituted by hired-labour farms. In the years since the fall of the second UF Government in West Bengal in 1970, there are reports of widespread eviction of sharecroppers. The basic reason is "extraneous": the landowners are afraid that sharecroppers may acquire permanent occupancy rights sooner or later. Quite often the sharecropper is merely shifted from one plot of land to another belonging to the same landowner; in other cases a new tenant replaces the old one. Rarely does the landlord himself take to cultivation hiring field labourers under his own supervision. Rack-renting through sharecroppers arrangement has generally been found at least as lucrative as farming with hired labour.

Regarding the final point of the Kautsky-Lenin theses, once again a question mark hangs. Firstly, to what extent has production of crops for the market superseded production for self-subsistence? From Irfan Habib's study of the late Moghul period, one finds that "the total net amount of produce annually lost by the countryside, without any return, must have amounted to a very large proportion of the total — at least a fourth of it, if not a third or a half". Further there was a large area under the *khud-kasht* system which was organised for commodity production. Large investments on these lands were made by the superior classes who hired agricultural labourers for cultivation.[42] One cannot be too confident that the proportion of total agricultural output actually marketed was much higher at the end of the British rule than towards the end of the Moghul era. Secondly, a good part of the actual expansion of commercial agriculture at different points of time under the British Raj, was carried out involuntarily by the peasants. Brute force, fear of hunger, the *dadan* (credit) system and an attempt at spreading risks as between different crops — all these were combined in varying degrees to produce the actual results.[43] The small peasants took part in commercial agriculture as much as the big farmers. The former, however, benefited relatively little, often receiving no more

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than half the market price and were therefore unable to invest on land.[44] Hence the limited spread of commercial agriculture did not have the catalytic role that it did in other socio-economic milieux.

These historical tendencies, if we have understood them correctly, are in agreement with the results of our statistical exercises. If the size of holding, labour type and tenancy do not affect farm efficiency, then there should be no general trend towards land concentration, no reason for hired labour farms to be replaced by family farms (or *vice versa*) or for tenancy arrangement to disappear.

Thus we find that none of the laws of motions as formulated by Kautsky and Lenin seem to apply to India or West Bengal, at least in the form in which they are supposed to. It leads us to suspect that the country has not been going through capitalist transformation at all, that there are important socio-economic forces that impede such a transformation.

During the British Raj colonial rule undoubtedly constituted the biggest single obstacle.[45] As a natural ally it greatly strengthened feudal or semi-feudal elements in the countryside that are primarily responsible for the indifferent progress in the post-colonial era even though the imperial yoke has been lifted.

XI

Semi-Feudalism?

What is this semi-feudalism and how does it stifle incipient capitalism? The basic features of this mode of production as it operates in the West Bengal countryside are most lucidly and cogently described by A Bhaduri.[46] These are: (1) An extensive non-legalised sharecropping system. (2) Perpetual indebtedness of the small tenants. (3) The "ruling" class in rural areas operates as *both* landowners *and* lenders to small tenants. (4) Small tenants have incomplete access to the rural "markets" and are forcibly involved in involuntary exchange through the peculiar organisation of this sort of "markets". This system also prevents capital investment in agriculture, for such investments would increase production and if the tenant's *share* remained constant, the tenant might get out of his debts. The landowner could lose economically if the loss of his interest income were not compensated by higher income from the greater output. Politically, he could lose even more insofar as the tenant freed himself from all the extra-economic consequences of the debt-bondage.[47]

Bhaduri, we feel, has somewhat overstated his case with which we are in basic agreement. For, technological improvements have taken place on share-tenanted land in different parts of West Bengal with working capital often provided by the landowner.[48] If one allows for a variable share-cropping ratio, then semi-feudal relations of production can persist even after the new high-yielding varieties of crops have been introduced. By lowering the tenant's share, the landowner can keep him as poor as he always was. That this may have happened is corroborated by the field reports of W Ladejinsky, F Frankel among others.

The missing element in Bhaduri's analysis is that of massive underemployment in our countryside. In several ways it helps to explain the stability of the semi-feudal relations as outlined above. (a) The value of labour power is pegged at the lowest possible levels so that the real income of a share-tenant is no greater than that of a hired agricultural worker both of whom remain close to the subsistence standard of wage. Hence there is neither any incentive nor any possibility for an inter-change between these categories of labour. Conversely, from the landowner's point of view the net surplus to be extracted is the same under the one or the other system. (b) Given the weak bargaining position of labour, the landowners can *arbitrarily alter the* share-ratio in their own favour in case new production possibilities appear. Should the tenant disagree, the ultimate threat of eviction is there.

The criticality of the unemployment factor can be underlined if the following question is raised: can contemporary semi-feudalism survive in the absence of surplus manpower? Our answer is in the negative. (i) The landowner through usury appropriates a part of the tenant's share of output of which a part "comes back" to the tenant in the form of consumption loan. If jobs are freely available, the tenant can simply flee from his present tormentor and find some work with another employer or landowner. Until not very long ago, the zamindars in various parts of India were often obliged to be more human to their tenants for fear of losing them altogether. Thus with near full employment the stranglehold of the usurious jotedar could not continue in its present form. (ii) If somehow through some external "shocks" capital investments could be made, it could have chain repercussions leading to the ultimate disintegration of the system. The introduction of new and more labour-intensive crops with external demand, the growth of industries even on a limited scale, etc, — any of these could trigger off fresh demands for labour leading to a further weakening of usurious capital. In either case extra-economic coercion in the form of political and social pressure would be needed to maintain the old system. But competition between landlords would weaken such pressures.

If semi-feudal relations are seen in the wider context of a national economy with an underdeveloped industry, the importance of large-scale unemployment becomes clearer still. For, the latter greatly delimits the market for industrial products. For a time and up to a certain point, industry can forge ahead despite such limited markets. Export markets, demand for military wares, the development of State capitalism, the artificial creation of a growing urban "middle class" — all these may enable industrial capital to expand. But as these markets get saturated, stagnation sets in. If the process had started with relatively full employment, the expansion could have continued much longer.

Our critics may argue that unemployment is endemic to capitalism. We agree, but about the rate of unemployment, there may well exist something like a critical mass. The long controversy on the breakdown of the capitalist system in Marxian literature was partly around it; the other issue was whether existing capitalist societies would ever reach that critical point. The fact that capitalism survived the worst ever crisis of the 1930s does not finally dispose of the question. As H Magdoff has recently shown, the US did not get out of the rut merely through the New Deal measures; orders from the military on an unprecedented scale since 1937 revitalised the durable producers' goods sector and this finally lifted the economy out of the gloom.[49] More relevant for us, however, is to look at the early history of capitalism.

In the early stages of industrialisation the labour market was *rather* tight in most countries though not uniformly. (i) Hobsbawm writes: "The average English income probably increased substantially in the first half of the eighteenth century, thanks, if anything, to a stagnant population and labour shortage, so that this period is rightly described in the Vicar of Bray's song as 'pudding time'".[50] The labour short-

age probably accentuated from the late 18th or the early 19th century so that England began to import Irish workers. Engels wrote: "The swift expansion of English industry could not have taken place, if it had not had a reserve to call on from the numerous and poor population of Ireland".[51] (ii) France, too, did not seem to have large-scale underemployment. Once the peasants got land after the Revolution of 1789 they were busy cultivating their own farms. Even the agricultural labourers usually had small farms "large enough to keep them from destitution". Around 1815 there was the "widespread complaint of the large proprietors that the existence of peasant prosperity led to idleness and prevented them from getting all the labour that their estates required."[52] (iii) In the USA it is too well known that labour was never too abundant so that even at the beginning of the nineteenth century "American equipment was, in some sense, superior to the English."[53] (iv) In Germany the situation was somewhat different. As Immerman, the most important novelist of the period of Industrial Revolution wrote: "Of course the core of the nobility has rotted away, but the hard outer casting still stands and one can go on cracking one's head against it." In another novel, the hero says: "The second reason for my trip to Germany was that I wanted to engage another good servant ... every country has its own special products which one cannot obtain elsewhere in the same excellence. Spain has its wines, Italy its songs, England its constitution, Russia its Muscovy hides, France has the Revolutions and in Germany the servants turn out to be the best."[54] Because of semi-feudalism agricultural labourers did not quite exist as a class; there were only individuals — rare in the western parts, "not so rare" across the Elbe.[55] Social distress in the early 19th century was pretty high indicating the existence of a rather large labour surplus. But population increased from 24.5 m in 1801 to only 31.7 m in 1850 and that, too, over an expanded territory.[56] This slow rise was largely due to a high rate of immigration, between 1815 and 1870 as many as 2.5 m emigrated to the USA. In the two particularly bad years of 1816 and 1817 alone more than 1 per cent of the total population emigrated. From the 1850s, however, the character of emigration changed. "No longer a case of desperate families escaping from hunger", they went in search of a better life.[57] According to Clapham again, upto 1850 industrial growth was tardy while agriculture was the growth-leader; the respective roles were reversed since 1850.[58]

Thus capitalist development and surplus labour are dialectically related. In the initial phase too much of the latter may choke up growth.[59] Once the development process gathers momentum, immigration of foreign workers may be necessary. But capitalism also creates a Reserve Army of Labour the size of which follows a cyclical pattern. If this size grows too large, however, as in the 1930s, the 'self-correcting' mechanism of 'normal' peace-time capitalism again fails to operate.

We may then infer that labour surplus on a scale that is probably unparalleled in human history, is perpetuating the semi-feudal set-up. Limited progress along the road to 'modernisation' cannot be ruled out.[60] Without vigorous measures to reduce considerably that surplus, we fail to see how one can get out of the vicious circle, or how capitalism can strike deep roots. But how and by whom can such measures be undertaken?

Industrial capital in this country, including the forces of State capitalism, is extremely weak in the relative sense. It seems to have no option but to rely on foreign capital and foreign technology which themselves create almost insuperable barriers to industrialisation on a wide front.[61] Nor does it have the power or the stamina to fight the trading community which, in every single crisis, has made the situation worse thereby blocking or at least delaying, whatever little progress that is still possible.

Since we cannot envisage how (with the confines of the present socio-economic formation) things might radically improve either on the industrial front or in respect of surplus labour, we cannot visualise when productive capital will dominate over usury capital in our agriculture or when the pre-capitalist crop-sharing system will disappear. Until we see new indications to the contrary, we believe that it would be more useful to characterise our agrarian production relations as 'semi-feudal' than 'lumpen-bourgeois' or 'rickety capitalist'.

Before concluding we should in all honesty underline the limitations of our analyses so far. As we saw, there are now three competing hypotheses seeking to explain our agrarian structure. The first one, based on "standard" marginalist theory, would call it a 'peasant economy'. The second is the established Marxist theory positing capitalist development. The final one, derived again from Marxian analysis, would characterise the system as semi-feudal. For the sake of brevity let these be designated by P, C and S.

Our statistical tests on the static efficiency of a sample of West Bengal villages reject P, but agree with S. These do not disprove C. For, larger farms can expand even in the absence of economies of scale. Greater financial power plus a certain amount of political leverage may make it worthwhile for rich peasants to grow even if there were minor diseconomies of scale. Our finding that hired labour is not inefficient removes another artificial barrier to expansion erected by the marginalists.

Historical evidence is too tentative to offer scope for a strong assertion. The weight of it on the whole would seem to go against C, but is compatible with either P or S.

Considering the fragmentary pieces of information (that we have not systematically analysed) on the current agrarian scene, these would appear to run counter to P but would be consistent with both C and S. (a) If we are not mistaken, P postulates a random process by which an ownership farm comes into being, expands, levels off and then gets partitioned at the death of the old owner; the cycle continues with the sons of the dead man. Implicitly, then, anyone by dint of hard work can acquire a farm and grow till he is just contented. Functionally speaking, it is a world without *jotedars* and *bargadars*, capitalist farmers and agricultural workers; all owner-peasants are more or less equal. A casual acquaintance with our countryside will reveal that this is hardly the case. (b) *A priori* one should not, in our view, reject C just because there is widespread share-cropping, a lot of usury and commercial capital, and a great amount of extra-economic (social, political, religious, etc) coercion exerted by the ruling classes. The English worker was not born free; for decades together he had to struggle against the Poor Law, the truck shops, and anti-trade union measures that often took a most violent form. The absolute victory of industrial capital over earlier forms of capital is usually dated to the repeal of the Corn Laws that came a full century after the onset of the Industrial Revolution.

Moving to the industrial scene, the preponderance of foreign capital and technology would seem to be at variance with C to the extent that indigenous capitalist development is thereby thwarted. However, as we argued earlier, it is closely tied up with S. As for P, it may not be affected either way by this factor.

Mass-based political movements could have a significant impact on the structure. Radical land reforms carried out under the auspices of the village poor and militant organisations of sharecroppers and agricultural labourers could bring about a qualitative change weakening the semi-feudal base. The change, were it likely, would strengthen the case for both P and C. We submit, however, that a transformation along these lines is not on the cards, at least for the foreseeable future.

In the light of all these considerations we find that the assumption S is the most plausible one. But one needs to explore many more facets of history, economics, politics, etc, before one can positively assert that semi-feudalism is the dominant mode of production in Indian or West Bengal agriculture.

Notes

[This is a substantially revised version of the paper presented to the seminar on the Political Economy of Indian Agriculture held in Calcutta in March 1973. I have benefited greatly from many useful discussions with Amiya Bagchi and N Krishnaji. I am particularly grateful to Amartya Sen for his sharp criticisms and for having corrected some of my errors. Obviously none of these friends bear any responsibility for the mistakes that remain. To Chandan Mukherji and Rohitaswa Das I owe a special debt of gratitude for painstaking computation as also for discussions on statistical problems. The authorities and workers of the Indian Statistical Institute, Calcutta, have very kindly enabled me to use their computer facilities free of charge, which would not have been possible without the persistence of Nikhilesh Bhattacharya.]

1 A V Chayanov, "The Theory of the Peasant Economy", Illinois, 1966.

2 "Peasants and Dualism With or Without Surplus Labour", *Journal of Political Economy*, October 1966.

3 For the sake of simplicity in exposition we assume in the theoretical sections that for every farm there is a single-member family and that the person is both a worker and a consumer.

4 We presume that U and V can be expressed in terms of equivalent income or output received, i e, these can be shown along the same coordinate as Q.

5 This last condition would be easily satisfied if the tenant has a relatively small patch of land for himself.

6 "Economic Theory and Agrarian Economics", *Oxford Economic Papers*, 1960.

7 "Private Property Rights and Sharecropping", *Journal of Political Economy*, December 1968. Also, "The Theory of Share Tenancy", Chicago, 1969.

8 "Crop-sharing Tenancy in Agriculture: A Theoretical and Empirical Analysis", *American Economic Review*, March 1971.

9 S N Cheung, "The Theory of Share Tenancy", Chicago, 1969, pp 76-77

10 Back in the eighteenth century when 'engrossing of farms' was going on full-steam, Arthur Young noted that the small farmers laboured "without intermission like a horse" and concluded that the lot of a wage-labourer was at least as good if not better. His early nineteenth century critic, William Mayor, contested the statement not from a materialist, but from a psychological point of view; for, the small farmer's toils "are sweetened by the reflection — that he is to reap the fruits of his own industry". Then early in this century when there was a limited revival of small farms in England, the official Small Holding Report of 1906 talked of the 'magic of property' being such that "a small occupied freeholder will gladly do the work of two labourers for the earnings of one". (These quotations are taken from H Levy, "Large and Small Holdings: A Study of English Agricultural Economics", 1911, reprinted in 1966 by Frank Cass, London, pp 35, 135.)

Karl Kautsky was well aware of the phenomenon and entitled one section of his classic as "Overwork and Undernourishment in Small Farms"; but he provided only indirect evidence from Germany of the late nineteenth century. (*La Question Agraire*, Paris, 1900, pp 160-176, especially, p 167.)

Lenin gave the most direct evidence. Between 1881 and 1891 in Voronezh Gubernia the average pay of a farm labourer hired by the year was 99 rubles against the total earnings of 78 rubles for a horseless peasant family and 98 rubles for a one-horse peasant family. ('The Development of Capitalism in Russia' in "Collected Works", Volume 3, p 168).

A V Chayanov, another keen observer of the agrarian scene in post-Reform Russia, noted that through "reduced well-being" family farms can often be viable when capitalist farms are not. (*Op cit*, pp 89, 231.)

11 Exactly the same criticism can be made against the model of Bardhan and Srinivasan (*op cit*). For, as P H Prasad pointed out in a private communication, the tenant's income is the same whether he chooses to be a tenant or a labourer.

12 R K Sau, "Land Tenancy, Rent and the Optimal Terms of Trade", *Oxford Economic Papers*, November 1971.

13 The position of Chayanov, Sen and Georgescu-Roegen tantamounts to an endorsement of petty-bourgeois interests in agriculture, although the first two were in favour of co-operative farming. Elsewhere in his writings Sau, too, has taken a forthright and progressive stand on socio-economic issues.

14 In a related context A K Bagchi makes it one of the focal points of his analysis in "Notes Towards a Theory of Underdevelopment", *Economic and Political Weekly*, Vol VI, Annual Number 1971.

15 For the sake of simplicity we are here assuming that U'(Q)=1 but V'(L) remains as before.

15a In this case the "value" of a commodity rather than its "price of production" would be more appropriate. In exchange between pre-capitalist societies "value" provides the norm for equivalent exchange, according to Marx. ("Capital", Vol III, Moscow, 1959, p 174). The problem is complicated; in the case of an exchange between a precapitalist and a capitalist economy Marx's yardstick is ambiguous (*ibid*, p 654). It is obvious that the same ambivalence prevails within an economy where two modes of production co-exist at the same time.

16 There are many more but we have not analysed them.

17 Some data for West Bengal are given in S Mehra, "Surplus Labour in Indian Agriculture", *Indian Economic Review*, April 1966 and in A Rudra, "Direct Estimation of Surplus Labour in Agriculture", *Economic and Political Weekly*, Annual Number 1973. For the most interesting all-India estimate, see S K Rao, "Measurement of Unemployment in Rural India", *Economic and Political Weekly*, September 29, 1973.

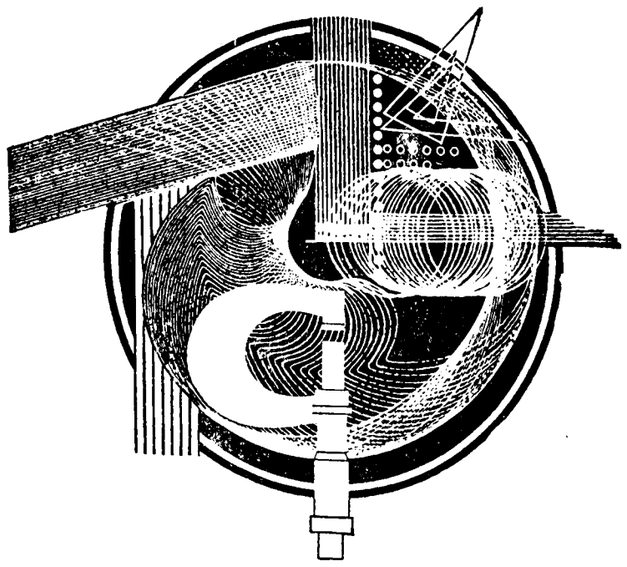
18 The computational method for these 2-way ANOVA with unequal numbers of observations per cell was taken from H Scheffe, "The Analysis of Variance", New York, 1961, Ch 4, Section 4.

19 One of the first to demonstrate convincingly the importance of inter-village productivity differences was A Rudra in his "Farm Size and Yield Per Acre", *Economic and Political Weekly*, Special Number 1968.

20 It is described adequately in N Bhattacharya and G R Saini, "Farm Size and Productivity: A Fresh Look", *Economic and Political Weekly*, June 24, 1972. One may refer to further references cited therein as also to C R Rao, "Advanced Statistical Methods in Biometric Research", New York, 1962, pp 44, 217-18.

21 *Op cit.*

22 Strictly speaking, the differentiability property is not required. If the incremental output from successive additions to the labour inputs monotonically declines, i e, if, for example, the corresponding function is piece-wise linear, one may obtain the results of the margi-



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nalist theories. However, if there is a sharp kink in the piece-wise linear function, the outcome is indeterminate. Hence one must impose the restriction that such kinks do not occur within the relevant range. This last along with the monotonicity property just mentioned, hardly lead to a *significant* relaxation of the underlying assumptions as compared to the more 'traditional' production function. Not only in this particular case of relative farm efficiency, but in practically every other major area of pricing, distribution theory, etc, the basic propositions of bourgeois economics hardly hold water once one moves away from the usual production function to some variant that is much less restrictive. That is why we consider the law of diminishing marginal returns to be the core of marginalist economics. To put it differently : the production process cannot be easily fitted into the *ceteris paribus* straitjacket; if one tries to break out of it into a new frame, e g, that of *mutatis mutandis* which is far more plausible, marginal economics has precious little to offer.

23 J Viner, "Some Reflections on the Concept of 'Disguised Unemployment'", *Contribucoes a Analisa do Desinolvimento Economico*, 1957, quoted in A K Sen, *op cit*.

24 Compiled by R L M Ghose, *et al*, and published by the Indian Council of Agricultural Research, New Delhi, 1960.

25 Production functions can surely be fitted into these as well as other data without clarifying the picture at all. See in this connection A Rudra, "Allocative Efficiency of Indian Farmers: Some Methodological Doubts", *Economic and Political Weekly*, January 20, 1973.

A very strange case is that of C H H Rao who finds strong multicollinearity between land, labour and material inputs. Instead of rejecting on this basis the neoclassical production function, he proceeds to regress production on land alone. The estimated regression co-efficient is termed the marginal product of land. Rao seems to have overlooked the elementary condition that since the marginal product of a factor can only be defined when other factors are held constant, the single variable model does not fulfil this *ceteris paribus* criterion; or else, one has to fall back on the nonsensical assumption that land in itself produces output. See Rao's "Uncertainty, Entrepreneurship and Sharecropping in India", *Journal of Political Economy*, May/June, 1971.

26 *Op cit*, see fn 10.

27 New Delhi, 1955, pp 85, 91.

28 "Dynamics of a Rural Society", Berlin, 1957, Chapter I, Section 6.

29 "Evaluation of Agrarian Relations in India" New Delhi, 1962, pp 147, 280.

30 "Capitalist Development in Agriculture", *Economic and Political Weekly*, Review of Agriculture, September 1971. The Soviet scholar G Kotovsky had earlier argued that the post-1947 land reforms "considerably reduced the sphere of semi-feudal exploitation of the peasantry", that an increasing differentiation was going on among the peasantry, and that land was getting concentrated in the hands of the rich peasants. "Agrarian Reforms in India", New Delhi, 1964, Chapter IV.

31 "The Dynamics of Continuity in Rural Bengal under the British Imperium: A Study of Quasi-Stable Equilibrium in Underdeveloped Societies in a Changing World", *Indian Economic and Social History Review*, June 1973.

32 "A Study in the Changing Pattern of Size-Class of Holdings in West Bengal over the Last Three Decades", 1973 (mimeo).

33 *Op cit*.

34 Quoted from the Floud Commission by Sunil Sen, "Agrarian Struggles in Bengal, 1946-47", New Delhi, 1972, p 8.

35 "The Problem of Land Transfer", Visvabharati, 1957.

36 B B Choudhury, "The Problem of Alienation of Peasant Holdings in Eastern India, 1890-1945: Some Unsolved Problems", 1973 (mimeo). These would once again seem to contradict the thesis of Ramkrishna Mukherji that land was passing from the hands of the small peasants into those of other classes. In the South Indian context Dharma Kumar has also attempted to refute it for the late 19th Century. See her "Land and Caste in South India", Cambridge, 1965, pp 176-9.

37 "Agricultural Labourers in Modern India and Pakistan", Bombay 1952, pp 14-6. Patel, however, warned against a hasty generalisation that our agrarian economy was being transformed from a feudal into a capitalist one (p 144).

38 "Long-term Changes in the Industrial Distribution of the Working Force in the Indian Union and the States: 1901-61", in Report of the Committee of Experts on Unemployment Estimates, New Delhi, 1970.

39 Although published Census figures indicate an exceptionally sharp rise from 16 to 25 per cent for the whole country and from 20 to 33 per cent for W Bengal in 1961-71, many lacunae in the Census methods make it difficult to make a direct comparison. *Cf* J Krishnamurty, "Working Force in 1971 Census", *Economic and Political Weekly*, January 15, 1972 and "Working Force in 1971 Census", *Economic and Political Weekly*, Special Number 1973.

40 Daniel and Alice Thorner, "Land and Labour in India", Bombay, 1962, pp 76-81.

41 See fn 38. In the second half of the 19th Century, according to D Kumar, the proportion of manufacturing population somewhat declined. *Op cit*, p 181.

42 "Potentialities of Change in the Economy of Mughal India", *Socialist Digest*, September 1972.

43 B B Choudhury, "Growth of Commercial Agriculture and Its Impact on the Peasant Economy", *Indian Economic and Social History Review*, March and June, 1970, gives an admirable account for the second half of the nineteenth Century.

44 Quoted from the unpublished Ph D dissertation by Saugata Mukherji in A Bhaduri, "A Model of Forced Commercialisation of Agriculture" (mimeo). Bhaduri's model depicts how a semi-feudal system can over time *oblige* the small tenant farmer to enter the cash economy even when his bare necessities remain unfulfilled.

45 We would wish to draw the reader's attention to two modern classics analysing the impact of British colonialism on agriculture and industry respectively. E Whitcombe, "Agrarian Conditions in Northern India", Volume I: "The United Provinces under British Rule, 1860-1900", California, 1972, and A K Bagchi, "Private Investments in India, 1900-39", Cambridge, 1971.

46 "An Analysis of Semi-feudalism in East India", *Frontier*, Autumn Number 1973.

47 This is argued at length in Bhaduri's "A Study in Agricultural Backwardness under Semi-feudalism", *Economic Journal*, March 1973.

48 Since working capital requirements are much higher with the new as against traditional crops, the landlord actually augments his income *both* from usury and from crop production. Generally, the small tenant is hardly any better off.

49 "Militarism and Imperialism", *American Economic Review*, May 1970.

50 "Industry and Empire", London, 1969, p 45. He also notes: "It [cheap labour] may produce merely distress and stagnation, perhaps catastrophe, as in Ireland and the Scottish Highlands in the early nineteenth century. Cheap labour may actually retard industrialisation." (p 44).

51 From the "Conditions of the English Working Class", quoted in J Kuczynski, "The Rise of the Working Class", London, 1967, p 150.

52 J H Clapham, "The Economic Development of France and Germany, 1815-1914", Cambridge, 1936, p 18.

53 Kuczynski, *op cit*, p 183.

54 Quoted in *ibid*, pp 200-2.

55 Clapham, *op cit*, p 38.

56 D V Glass, "World Population, 1800-1950", in H J Habakuk and M Postan (eds), "The Cambridge Economic History of Europe", Vol VI, Pt I, p 61.

57 W O Henderson, "The Industrial Revolution on the Continent", London, 1961, pp 43-4.
58 *Op cit*, pp 82-96.
59 We do not wish to give the impression that our quotations above have definitely proved that no surplus labour existed in any of these countries in the initial phases of capitalist development, either in the rural or in the urban sector. More systematic information is required. Besides, we have not considered Japan. The case of Russia which presumably had a great deal of surplus labour is quite problematical. For, although there were developments along the capitalist lines till 1913 it was not exceptionally fast compared to other capitalist countries; further, foreign capital monopolised some key sectors and drained away a substantial part of the economic surplus generated by industry and trade. It is by no means certain that Russia would finally grow into a full-fledged capitalist state in the absence of the Bolshevik Revolution. Some of the basic data are admirably marshalled by Alec Nove in "An Economic History of the USSR", Penguin 1972, Ch 1, who argues, somewhat dogmatically in our view, that Russia would indeed become a capitalist state.
60 When an existing mode of production assimilates technical progress, it gets reinforced. However, beyond a certain point such changes have a cumulative impact tending to alter the mode itself. One cannot draw a dividing line on an *a priori* basis.
61 This is argued at length in the present author's "Western Imperialism and India Today", *Economic and Political Weekly*, Annual Number 1973. It follows from our argument that contemporary semi-feudalism and neo-colonialism are organically linked to gather; one cannot conceive of the one without the other.

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Social and Cultural Foundations of Health Services Systems

D Banerji

The new leadership of the health services system after Independence readily committed itself to providing good health services to the vast masses of people of the country, but for this it did not consider it necessary to bring about any basic changes in the system. The colonels of the Indian Medical Service, by then greatly depleted by the withdrawal of the British, and the Brown Englishmen were assigned the very much more challenging task of building the new health services system for India.

Medical colleges grew very rapidly and poured out large numbers of physicians who were mostly alienated from the masses of the people. A number of hospitals were opened in the urban areas. Out of the limited resources that were made available for providing preventive services for rural areas, the colonels, with strong "persuasion" from foreign consultants, set aside big chunks for running mass campaigns against specific diseases — malaria, population growth, small-pox, leprosy, trachoma and filariasis.

Not only have these campaigns hindered the development of a permanent health services system in the rural areas but almost invariably they have also failed to achieve the set goals. The country was persuaded in the late fifties to invest about Rs 1,010 mn to eradicate malaria by 1966, but after an investment of over Rs 3,500 mn the prospect of doing so by even 1979 do not appear to be particularly bright. The campaign against population growth has turned out to be a similar costly blunder.

Social scientists and health educators from abroad helped the colonels to divert attention from the basic malady of the system by raising the bogey of resistance of the villagers to acceptance of the Western system of medicine. Following that reference model, their counterparts in India dutifully echoed their findings and a large number of positions were created to accommodate such professional health educators and social scientists within the system.

Findings of a carefully conducted empirical study of health behaviour of rural populations of India have, however, underscored the fact that there is considerable active interest among villagers in acquiring both curative and preventive services. Mostly it is the services which have let the people down, rather than the reverse. Not only are the rural health services very much below what the Bhore Committee's short-term programme had in 1946 described as the "irreducible minimum requirements" and much below the actual demands of the people, but even these very limited services are working at an alarmingly low level of efficiency — one of the main causes for this being the alienation of the health workers and of the institutions for education and training of such workers from the masses of the people.

I

Health Practices before British Rule

EVERY community has a health culture of its own—its own cultural meaning of its health problems, its health practices and its corps of practitioners. As a component of its overall culture, the health culture of a community is shaped by the interplay of a number of social, political, cultural and economic forces.[1] The history of the health services system in India provides an account of the influence of such forces in giving shape to it. Henry Seigerist[2] has drawn attention to this important aspect by contrasting the manifestly high standards of environmental sanitation of the Indus Valley period with the level of sanitation that exists in India today.

Describing the five-thousand-year old planned city of Mohenjo Daro, Marshall[3] has remarked that the public health facilities of the city was superior to those of all other communities of the ancient Orient. Almost all households had bathrooms, latrines, often water closets and carefully built wells. The elaborate nature of the Indus Valley public health organisation provides an indication of the extent of health consciousness among the ancient Indian people. It is difficult to conjecture the nature of the health problems of those days, but the great emphasis on the preventive aspects of disease indicates a fairly mature attitude of the society towards the health problems that might have been prevailing at that time.

The Vedic medicine that developed after the advent of the Aryans to the Indus Valley (during the second millennium BC) had begun to show a tendency to develop rational methods of approaching health problems at quite an early stage.[4] Even in the Vedic Samhitas, purely religious books, are found reflection of anatomical, physiological and pathological views which are neither magical nor reigious and there are references to treatments which are impressively rational.

Furthermore, there exists the famous decree of Emperor Ashoka Maurya (279-236 BC) in his second Rock Edict (257-236 BC) "celebrating the organisation of social medicine shaped by the Emperor along the lines of Buddhist thought and kindred ethics (*dharma*)".[4] The works of the famous Charaka of the first century AD and of Susruta of the fourth century AD laid the foundation of the highly developed science of medicine which flourished in the tenth century after Christ—a period of all round social and economic progress, often called the age of Indian Renaissance. There is also epigraphical evidence indicating that social medicine was practised in medieval South India.[4]

During the subsequent centuries, a series of political, social, and economic changes profoundly disrupted the ecological balance in Indian society. Perhaps the lowest point of this ecological crisis was reached during the decline of the Mughal Empire, a situation which set the stage for the British

conquest of India. Even during this period the system of Indian medicine had retained some fragments of its past heritage; for example, the surgeons of the British East India Company learnt the art of rhinoplasty from Indian exponents of surgery.[6] It is noteworthy that during the early period of British rule in India, the Western system of medicine, which was still dominated by such procedures as purging, leeching, scarification and blood-letting, could not be considered to be any superior to the prevailing methods of the Indian systems of medicine.

II

Health Practices during British Rule

The social, cultural, economic and political changes that followed the introduction of British rule in India dealt an almost fatal blow to the practice of the Indian systems of medicine. With the imposition of the British rule, almost every facet of Indian life, including the medical and public health services, was subordinated to the commercial, political and administrative interests of the Imperial Government in London. In developing health services for certain limited purposes (for example, for the army), the patronage was shifted from the Indian systems of medicine to the Western system. The decision to make this shift appears to be amply vindicated by the spectacular advances in the different branches of Western medicine during the nineteenth and twentieth centuries. As a result of these changes the already stagnant Indian systems of medicine got caught in a vicious circle: its very neglect accelerated its further decline and the decline, in turn, made it increasingly difficult for it to compete with the highly favoured and rapidly flourishing Western system in capturing the imagination of the educated population of India. In the long run, therefore, not only did the profession of the Indian systems of medicine get infiltrated by various kinds of quacks, but the very basis of the sciences got considerably eroded by forces of superstition and of beliefs in supernatural powers and dieties.[5]

The British had introduced Western medicine in India in the latter half of the eighteenth century principally to serve their colonial aims and objectives. Medical services were needed to support the British army and British civilian personnel living in India. Later on, medical services were made available in a very tiny selected segment of the native population. At the time of Independence, only the affluent and the ruling classes could get adequate medical services. Of the rest, constituting more than 90 per cent of the population, only a small fraction could get some form of medical care from hospitals and dispensaries run by government agencies, missionaries, philanthropic institutions and private practitioners.[7] Similarly, public health services consisted of some form of environmental sanitation in a few big cities. For the rest some public health services were provided only when there was an outbreak of massive epidemics of diseases such as plague, cholera, and small-pox.[7] Because of these conditions, in spite of the availability of knowledge from the Western system of medicine, there was widespread prevalence of such easily preventable diseases as malaria, tuberculosis, leprosy, small-pox, cholera, gastro-intestinal infections and infestations, trachoma and filariasis; Indian was among the countries of the world with the highest infant and maternal morbidity and mortality and gross death rates. In addition, there was the enormous problem of undernutrition and malnutrition. India was among the lowest per capita calorie consuming countries in the world.[7]

At the time of Independence, British India (population 300 million) had 17,654 medical graduates, 29,870 licenciates, 7,000 nurses, 750 health visitors, 5,000 midwives, 75 pharmacists and about 1,000 dentists.[7]

The colonial character of the health services had also profoundly influenced almost all aspects of medical education in India—in shaping the institutions, in developing the course content and, perhaps most important of all, in shaping the value system and the social outlook of the Indian physicians. The first medical college in India was established way back in 1835. It was quite natural that British teachers should have nurtured such institutions in their infancy. However, along with the "scientific core" of medical sciences (which was a most welcome diffusion of a cultural innovation from the Western world), there came certain political, social and cultural overcoatings which were definitely against the wider interests of the country.[8]

Also, opportunities for medical education in these institutions were made available to the very privileged upper class of the society. Additionally, the Medical Council of India accepted the British norms of medical education in order to gain recognition of the Indian medical degrees from the British Medical Council. This enabled some of the physicians, who were "the select among the select", to go to Great Britain to get higher medical education. Acquiring Fellowships or Memberships of the various Royal Colleges was generally considered to be the pinnacle of achievement in their respective fields.

These four considerations—colonial value system of the British rulers, class orientation of Indian physicians, their enculturation in British modelled Indian medical colleges and a more thorough and more extensive indoctrination of future key leaders of the Indian medical professions in the Royal Colleges—provided a very congenial setting for the creation of what Lord Macaulay had visualised as "Brown Englishmen".[8] These Brown Englishmen acquired dominant leadership positions in all the facets of the health services in India. This arrangement proved convenient to both the parties. To the Indian physicians it ensured power, prestige, status and money at home. Their mentors from foreign countries retained considerable influence on the entire health service system of the country by ensuring that the top leadership of the medical profession in India remained heavily dependent on them.

III

Evolution of Existing Health Services Systems

Profile of Policy Formulators and Health Administrators

After Independence, the health services system of the country was shaped by the two key political decisions of the new leadership. Following the political commitments made during the struggle for Independence, provision of plank of the Directive Principles of the people—particularly to those living in rural areas—was made an important plank of the Directive Principles of State Policy of the Constitution.[9] The other political commitment, which turned out to be even more sacred and of overriding importance, was to bring about the desired changes in the health services system without making any basic changes in the then existing machinery of the government.

The personnel of the Indian Medical Service of the British days and the "Brown Englishmen" were called upon by the Indian leadership to provide the initiative in shaping the proposed new health services system for India. These personnel, like those of the Indian Civil Service, belonged to elite

class of administrators. They were former officers of the British Indian Armed Forces who had opted for civilian work. They were also trained in the traditions of the Western countries. Political independence brought to the fore two additional issues which profoundly affected the cadre of the Indian Medical Service. Firstly, the withdrawal by the British officers after Independence caused a sudden vacuum in their ranks. This came as a windfall to a number of not-so-competent officers who were catapulted into positions of key importance simply because they happened to become senior in the cadre as a result of the very large number of vacancies caused by the departure of the British. Secondly, the adhering strictly to the seniority rules, when the health services were expanded very rapidly to meet the requirements of the newly formulated health programmes, the administration drew more and more from the relatively small group of people who had entered the services in, say, 1930-35, 1935-40 or 1940-45 to meet the very rapidly increasing manpower needs for key posts. As a result, a large number of the key posts in the health services got filled by persons, who, even from the colonial standards, were not considered to be bright.

Such a massive domination of the organisation by men who were trained in the colonial traditions and whose claim to a number of vital posts in development administration was based merely on their being senior in the cadre, led to a virtual glorification of mediocrity, with all its consequences.[10] What was even worse, such a setting was inimical to the growth and development of the younger generation of workers. Often these young men had to pay heavy penalties if they happened to show enterprise, initiative and imagination in their work. Conformism often earned good rewards. This ensured perpetuation of mediocrity within the organisation.

Because of their being inadequate for the job, these Brown Englishmen went out of the way to appeal to foreign experts for help and the latter have generously responded to such entreaties. A large number of foreign experts were invited to play a dominant role in almost every facet of the health services system of the country.[11]

Medical Colleges, Teaching Hospitals and Other Medical Care Facilities in Urban Areas

Two divergent forces in the country —availability of relatively very much larger amounts of resources for the health sector and perpetuation by the technocrats, the bureaucrats and the political leadership of the old privileged class and the Western value system of the colonial days—gave shape to a health service system which had a strong urban and curative bias and which favoured the rich and the privileged.

It is significant that when the country had only about 18,000 graduate physicians and about 30,000 licenciate physicians,[7] one of the first major decisions of the popular government of India in the field of health was to abolish the three-year post-matriculation licenciate course in medicine.[12] While recognising "the great lack of doctors", the very large majority of the members of the Health Survey and Development Committee (Bhore Committee), probably "strongly influenced by the recommendations of the Good-enough Committee in the United Kingdom",[13] asserted that resources may be concentrated "on the production of only one and that the most highly trained doctor.[13] The Committee had made elaborate recommendations concerning the training of what it termed as the "basic doctor" and stressed that such training should include "as an inseparable component, education in community and preventive aspects of medicine".[13]

The Medical Council of India, a direct descendant of the Medical Council of Great Britain, which is the statutory guardian of standards of medical education in India, has issued repeated warnings against reviving the licenciate course. The Health Survey and Planning Committee of 1961 (Mudaliar Committee)[12] has also emphatically rejected the idea of reviving such a short-term course because they were "convinced that the proper development of the country in the field of health must be on the lines of what we consider as the minimum qualification for a basic doctor" (p 349). It went on to state: "India is no longer isolated and is participating in all problems of international health. The WHO has laid down certain minimum standards of qualifications. In view of India being an active member, participating in all public health measures on an international basis, we think it will be unfortunate if at this stage once more the revival of a short-term medical course is to be accepted" (p 349).

One of the saddest ironies of the medical education system in India is that resources of the community are utilised to train doctors who are not suitable for providing services in rural areas where the vast majority of the people live and where the need is so desperate. By identifying itself with the highly expensive and urban and curative oriented system of medicine of the West, the Indian system actively encourages the doctors to look down on the facilities that are available within the country, particularly in the rural areas, and they look for jobs abroad and thus cause the so-called brain drain. As if that is not enough, till recently these foreign trained doctors have been pressurising the community to spend even much more resources to attract some of these people back to the country by offering them high salaried prestigious positions and making available to them very expensive supersophisticated medical gadgets. These foreign trained Indian specialists, in turn, actively promote the creation of new doctors who also aspire to "go to the States" to earn large sums of money and to specialise. Emphasis on specialisation, incidentally, causes considerable distortion of the country's health priorities, thus causing further polarisation between the haves and the havenots.

Those who are unable to go abroad, they try to settle down in private practice in the urban areas, often linking their practice with honorary or full-fledged jobs in urban health institutions run by the government. Only some government jobs are non-practising. As a result of such considerations, a desperately poor country like India finds itself in a paradoxical position in relation to the distribution of the doctors in the country: the urban population, which forms 20 per cent of the total, accounts for 80 per cent of the doctors.

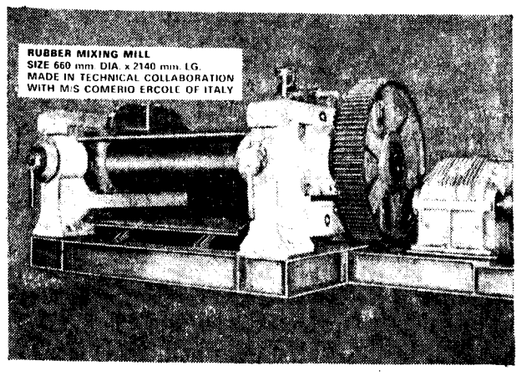
To be sure, pretending to follow the recommendations of the Bhore Committe, soon after Independence upgraded departments of preventive and social medicine were created in medical colleges, at the instance of the government and of the Medical Council of India, to act as spearheads to bring about social orientation of medical education in India. However, as in the case of so many other ambitious and morally lofty government programmes, concurrently it was also ensured that the very spirit of this programme was stifled, if not totally destroyed, by actively discouraging in various ways its actual implementation. For instance, instead of mobilising the finest brains in the profession to bring about social

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orientation, most of the positions in the departments of preventive and social medicine were filled by the discards, who were often found intellectually inadequate to get into the highly competitive and prestigious clinical disciplines, or even the paraclinical disciplines. This gave enough opportunities to the threatened foreign trained superspecialists to ridicule the entire discipline of preventive and social medicine and bring it down almost to the bottom of the prestige hierarchy of disciplines in a medical college.[15] Significantly, the political leadership — the ministers and legislators, who are beholden to these super-specialists for their personal needs of various kinds — winked at this systematic desecration of the philosophy of social orientation of medical education in the country.[16]

Along with the very rapid proliferation of very expensive teaching hospitals for medical colleges, each having a number of specialities and superspecialities, a number of general hospitals were established in urban areas. The number of hospital beds shot up from 113,000 in 1946[12] to the present figure of 300,000.[14] There has also been a rapid increase in the number of dispensaries for providing curative services to urban populations. There were over 1,807 urban dispensaries in 1966.[17] The development of medical colleges, teaching hospitals and other hospitals and medical care facilities has accounted for a large chunk of the investment in health services in the country's Five-Year Plans.[12] The recurring cost for these institutions accounts for over three-fourths of the annual health budget of a State.[18]

Mass Campaigns against Some Major Health Hazards

The fact that despite their obvious overriding importance, preventive services have received a much lower priority in the development of the health service system of India provides an insight into the value system of the colonels of the Indian Medical Service, the British trained bureaucrats of the Indian Civil Service and, above all, the value system of the political leadership of free India. The colonels did not appear to relish the prospects of dirtying their hands—getting involved in problems which required mobilisation of vast masses of people living in rural areas. The rural population raised in the minds of these decision-makers the spectre of difficult accessibility, dust and dirt and superstitious, ignorant, ill-mannered and illiterate people. Therefore, when they were impelled to do some preventive work in rural areas, characteristically, they chose to launch military style campaigns against some specific health problems.

Undoubtedly, because of the enormous devastation caused by malaria till the early fifties, this disease deserved a very high priority. But the programme became a special favourite of the colonels not only because it required relatively much less community mobilisation, but it also provided them with an opportunity to build up an administrative framework to launch an all-out assault on the disease in a military style — in developing preparatory attack, consolidation and maintenance phases, in having "unity of command", and surprise checks and inspections and in having authority to "hire and fire". Some of the followers of the colonels in fact went so far as to compare the malaria campaign with a military campaign.[19] Another enthusiast for military methods has written an entire book[20] with a preface from the late Prime Minister Jawaharlal Nehru describing the saga of the growth of the health services in independent India as if he were describing a military campaign.

Experience of implementation of India's National Tuberculosis Programme brings sharply into focus the limitations of this military approach to developing a health service system for the people of this country. On the basis of a series of operational research studies,[21] it was demonstrated that it is possible to offer facilities for diagnosis and treatment to over a million and a half of sputum positive cases who are known to be actively seeking help for their illness from over 12,000 to 15,000 health institutions in various parts of the country. But because of failure of the programme administrators to develop a sound health delivery system on a permanent basis for the rural populations of the country, more than a decade after the launching of the programme, less than one-fifth of these sputum positive cases, who have an active felt need, are being dealt with by the programme organisation.[21] This provides an example of how the militaristic urban privileged class value system has come in the way of building a health service system to meet even some of the very urgently felt needs of the people of the country.

After some pilot projects, a National Malaria Control Programme was launched with the help of the United States Technical Co-operation Mission, the World Health Organisation and the United Nations International Children's Emergency Fund (UNICEF) in 1953 to cover all the malarious areas of the country, then involving a population of 165 million.[20] It achieved a phenomenal success; for instance, the number of malaria cases for every 100 persons visiting hospitals or dispensaries declined from 10.2 per cent in 1953-54 to 4.0 per cent in 1958-69.[20] This success emboldened the administrators to think in terms of totally eradicating the disease from the country, once and for all. The danger of the mosquitos developing resistance to the main weapon for malaria control, DDT, was given as an additional reason for embarking on the eradication programme. Besides, pressure was also put on India by foreign consultants from WHO and elsewhere to embark on the eradication programme as it was to become a part of the global strategy propounded by the WHO.[20]

It was also stated, to give economic grounds for the decision, that while the control programme was estimated to cost about Rs 270 mn in the Second Five-Year Plan (1956-1957 to 1960-1961) and Rs 350 mn during the Third Plan (1961-1962 to 1966-1967) and thereafter would continue to remain a heavy item of expenditure, "the cost for the eradication programme was estimated to be Rs 430 mn in the last three years of the Second Plan and Rs 580 mn for the entire Third Plan with the annual expenditure becoming negligible thereafter".[20] The immediate successes of the National Malaria Eradication programme were even more spectacular, but a disastrous snag developed in implementing the maintenance phase of programme.[22] It turned out that, among other factors, because of the preoccupation of the administrators with specialised mass campaigns against malaria and other communicable diseases, they had not paid adequate attention to building a permanent health service system—the so-called health infrastructure—strong enough to carry on the malaria surveillance work effectively at the village level. This has been responsible for a series of setbacks to the National Malaria Eradication Programme, resulting in the reversion, at a very considerable cost, of large segments of the maintenance phase population on to consolidation or attack phases. Instead of getting rid of malaria once and for all by 1966, as it was envisaged in the late fifties, 40 per cent of the population is still to reach the maintenance phase.[22] The National

Malaria Eradication Programme thus continues to drain huge quantities of scarce resources even today, thus making it even more difficult to find resources to develop the health services infrastructure.

During the last four years, for instance, less than 3 per cent of the additional population (9.4 units) has entered the maintenance phase.[22] Meanwhile, the country is forced to set aside huge chunks of its very scarce resources to prevent the programme from sliding still further. As against the envisaged expenditure of Rs 1,015 mn, the National Malaria Eradication Programme has thus far sucked in over Rs 2,500 mn.[23] In addition, Rs 967 mn have been set aside for it for the next five years[22] and even this allocation might have to be raised still further. In spite of this, the chances of eradicating malaria in the foreseeable future does not appear to be very bright. So the country will be compelled to keep on pouring resources into this programme to see that the disease does not come back in an epidemic form as it has happened in some other countries.

Also, following the model of the NMEP, a specialised military style campaign was launched in 1963 to eradicate small-pox within three years.[20] Once again the campaign conspicuously failed to achieve the objective of eradication. Only recently (1973-74) yet another campaign has been launched to eradicate small-pox "once and for all".[22]

A mass campaign to provide BCG vaccination to cover the entire population of the country, and to continue to do so periodically, was the first effort to deal with the problem of tuberculosis in India as a public health problem.[22] This programme has also failed to yield the desired results.[21]

Special campaigns have also been launched against leprosy, filariasis, trachoma and cholera with even more discouraging results.[22]

The health service system of the country had hardly recovered from the consequences of the very costly failures of the mass campaigns against malaria, small-pox, leprosy, filaria and trachoma, when a large bulk of investment in health was cornered by another specialised campaign—this time it was against the rapidly rising population of the country. The Fourth Plan investment in family planning was Rs 3,150 mn as against Rs 4,500 mn for the rest of the health sector of the country.[10] This involved deployment of an army of 125,000 persons.[10] All of them were specially earmarked for doing family planning work only. Significantly, once again, this programme was also developed by officers belonging to the Indian Medical Service—the colonels, with strong backing from foreign consultants from various agencies. Predictably, once again, this campaign also failed to attain the demographic objectives, with disastrous consequences, both to the programmes for socio-economic development as well as to the development of a sound infrastructure of health services for the country.[10]

Recognising, at long last, the weaknesses of the campaign approach, recently the Government of India has veered round to the idea of providing an integrated package of health, family planning and nutrition services with particular emphasis on the weaker sections of the community.[2] This package, in turn, is a part of a bigger package of the Minimum Needs Programmes of the Fifth Five-Year Plan (1974-1979) which is meant to deal with some of the very urgent social and economic needs of the rural populations of the country.[26]

Development of a Permanent Integrated Health Service System for Rural Areas

The Health Survey and Development Committee,[13] which was set up by the British Indian Government in 1943 to draw a blueprint of health services for the post-War British India, had shown exceptional vision and courage to make some very bold recommendations. These included development of an elaborate health service system for the country, giving key importance to preventive aspects with the "countryside as the focal point".[13] To forestall any criticism of practicability, pointing out the achievements in health in the Soviet Union within a span of 28 years (1913-1941), it asserted that its recommendations are quite practical, in fact relatively very modest, provided there was the will to develop the health services of the country.[13] Unfortunately, however, the leaders who took over from the British did not show this will. They had quoted, often out of context, the recommendations of the Bhore Committee to justify abolition of the licenciate course and to establish a very large number of medical colleges with sophisticated teaching hospitals in urban areas. They also invoked the Bhore Committee to justify setting up an even more sophisticated All-India Institute of Medical Sciences in New Delhi on the model of the Johns Hopkins Medical Centre of the USA.[12] A number of other postgraduate centres for medical education were also set up in due course. It, however, took them over seven years even to start opening primary health centres to provide integrated curative and preventive services to rural populations of the country.[28] These primary health centres were a very far cry from what was suggested by the Bhore Committee: they did not have even a fourth of "the irreducible minimum requirements" of staff recommended by the Bhore Committee for a given population (and that too only as a short-term measure).[13] Furthermore, it took more than 10 years to cover the rural populations in the country even with this manifestly rudimentary and grossly inadequate type of primary health centres.

The entry of the National Malaria Eradication Programme into the maintenance phase and concurrent development of an extension approach to family planning provided a transient impetus to providing integrated health and family planning services through multipurpose male and female workers.[29] But the clash of interests of the malaria and the family planning programmes again led to the formation of unipurpose workers for malaria and family planning.[30] What was even worse, application of very intensive pressure on various workers of primary health centres to attain certain family planning targets led to the neglect of whatever health services which were earlier being provided by the PHCs, thus causing a series of further setbacks to different health programmes.[10] Maternal and child health services, malaria and small-pox eradication, environmental sanitation and control of other communicable diseases, such as tuberculosis, leprosy and trachoma, are examples of the services which suffered as a result of preoccupation of health workers with achieving the prescribed family planning targets.

Very recently, following the recognition of the fact that a unipurpose, high pressure military type campaign approach which does not ensure a concurrent growth and development of other segments of health and nutrition services (and growth and development in other socio-economic fields) will not be able to yield the desired results, as pointed out above, decisions have already been taken to integrate malaria, family planning, maternal and child health, small-pox and some other programmes and thus provide an entire package of health, family planning and nutrition services to the community through male and female multipurpose health workers.[25,26]

Indian Systems of Medical Services

There are three major indigenous systems of medicine in India: Ayurveda — the Hindu medical system; Unani — the Greek system of medicine which was brought to India from West Asia by the Muslim rulers of India; and the Siddha system, which can be considered to be a specialised branch of Ayurveda. After Independence, these systems were subjected to two contradictory pulls: their being firmly rooted in the culture of the people of the country for centuries and their rich heritage invoked considerable admiration and even a certain degree of emotional attachment from a large section of the population of the country. At the same time, long neglect of these systems of medicine led to a very sharp deterioration in the body of knowledge, in their institutions for training and research in their pharmacopia and drug industry and in their corps of practitioners. Therefore, while the leaders of independent India built almost the entire health services on the lines of the Western system, they have, from the very beginning, shown sympathy for the Indian systems of medicine and have made available some grants for conducting research in these system, for supporting educational institutions and for providing some services to the community.[31]

IV
Present State of the Health Services

Considering the size of the population and the staggering nature of its health problems, the existing health services are grossly inadequate. Furthermore, the bulk of the expenditure is earmarked for curative services and these services are predominantly situated in urban areas and they are more accessible to the more privileged sections of the society. The privileged population has the additional advantage of being able to pay to avail of private nursing home services and services of private practitioners who are located almost entirely in urban areas. Of the total number of doctors in India 53 per cent are in private practice; another 7 per cent are employed in the private sector;[32] the community spends about Rs 100,000 for the training of one doctor.

India has barely half a bed per thousand population, while the corresponding figure is over 10 for the industrialised countries.[14] Of these beds, 90 per cent are located in cities and towns where only one-fifth of the population lives. Even the 10 per cent of the beds which are primarily meant for rural populations are ill-staffed, ill-equipped and ill-financed.[17] The expenditure for curative services is about three times as much as for preventive services.[18] Again, in terms of the preventive services, while over 90 per cent of the urban population is provided with some degree of protected water, only 4 per cent of villages get piped water supply; while about 40 per cent of the urban population has a sewerage system, it is almost non-existent for the rural population.[33]

Primary health centres and their sub-centres form the sheet anchor of rural health services of India. There are over 5,195 PHCs in the country; there are 32,218 sub-centres attached to these PHCs.[14] Each PHC and its sub-centres are expected to provide integrated health, family planning and nutrition services to a population of about 100,000. Provision of medical care, environmental sanitation, maternal and child health services, family planning services, eradication or control of some of the communicable diseases and collection of vital statistics are some of the functions of a PHC.[28] However, both quantitatively as well as qualitatively the resources made available at a PHC are grossly inadequate for serving the population assigned to it.[34, 35, 26, 59]

There are now 103 medical colleges which have an annual admission capacity of over 13,000.[14] The number of doctors available in India has now increased to 137,930.[14] There are 88,000 trained nurses, 32,000 sanitary inspectors and 54,000 auxiliary nurse midwives.[14]

The government is at present financing about 9,000 dispensaries and 195 hospitals which offer the services according to the Indian systems of medicine. There are 44,460 institutionally qualified and 111,371 non-institutionally qualified Ayurvedic registered practitioners in the country; the corresponding figures for the Unani and the Siddha systems are 6,013 and 18,507 and 625 and 14,785, respectively.[31] The government runs two postgraduate colleges in Ayurveda and one in Unani; there are also 91 Ayurvedic, 10 Unani and one Siddha undergraduate colleges.[31]

That the present health services system of India needs considerable improvement is dramatically brought home by the fact that in the year 1974 India happens to be one of the few countries in the world which has not yet succeeded in eradicating small-pox. Much remains to be done before it will be possible to control such apparently easily controllable diseases as tuberculosis, leprosy, trachoma and filariasis.[23] The fact that the National Malaria Eradication Programme continues to be a very heavy drain on the very limited resources even today, instead of being eradicated by 1966, also provides an indication of the serious weaknesses in the system.

V
Community and Health Services Systems

Health administrators sought to secure some degree of social legitimacy for their actions by getting some not very well defined or even relevant social, cultural and psychological considerations raised by social scientists and health educators. Their appeal was particularly directed towards the then dominant group of social scientists which was engaged in generating social science knowledge to legitimise the existing social structure and social relations.[37,38] The response was generous. Eminent social scientists from the West, such as McKim Marriot,[39] Morris Carstairs,[40] Morris Opler,[41] H A Gould[43] and E Wood[43] came out to draw attention to certain basic cultural and social factors which mitigate against acceptance of modern medical practices in the mostly tradition-bound, caste-ridden, rigidly hierarchical, illiterate and superstitious rural communities of India. Their Indian disciples dutifully carried on the refrain by drawing similar conclusions on the basis of their own "studies". Studies of Hasan,[44] Dhillon,[45] Khare,[46] Kakar[47] and Prasad[48] offer examples of such Indian workers.

The report on the Conference on Social and Cultural Factors in Environmental Sanitation[49] represents an instance of the collective wisdom on this subject of a group of eminent Indian social scientists which was brought together by the Ford Foundation. Ignoring the vital necessity of "distinguishing between the true clinical core of scientific medicine and the surrounding folklore, magic, custom, and faddism that are included in our institution of medicine",[50] they went on to find ways of overcoming the cultural resistance of villagers to installation of sanitary latrines. They overlooked some basic epidemiological, clinical, social, economic and even cultural issues which ought to have called into question the

very rationale of selling such latrines to rural populations.[6],[50] Their deep-seated bias, which perhaps contributed to their inability to take a holistic view of the social, cultural and technological interaction in the sanitation programme, made them behave more like salesmen than like scientists who possess the competence to use the conceptual and methodological rigour of their discipline to make an objective analysis of the situation.[51]

The profession of health education also came in very handy to health administrators in giving a facade of legitimacy to the health service system built by them. As practitioners of social science knowledge which was generated by scholars like Marriot, Carstairs, Hasan and Khare, the administrators found it convenient to assign to them the task of "educating" the community to pave the way for acceptance of the Western system of medicine. When the administrators in India, with strong backing from consultants from abroad, launched a country-wide family planning programme which required acceptance of family planning practices in a poverty-stricken population, with very poor health services, extensive unemployment and social injustice,[10] they once again found it convenient to call upon the health educators to sell this brand of family planning to the masses. It is significant that the leaders of the health education profession, both in India as well as from other countries, willingly allowed themselves to be identified with a programme which involved motivating individuals to accept family planning practices by using persuasion, administrative coercion and monetary enticements.[24]

A carefully conducted sociological study of tuberculosis patients in a rural district in South India[51],[21] revealed that more than half of the these cases visited a government institution of modern medicine, where they were almost invariably dismissed with a bottle of cough mixture. These findings were diametrically opposed to what was forecast by social scientists like Marriot and Carstairs. Again, a number of studies of treatment default among tuberculosis patients getting domiciliary treatment revealed that by far the most important causes of default were attributable to limitations at the technical level and in the field of administration of the services, rather than to the patients' own behaviour.[53],[54],[55] Yet, despite these very clear-cut findings, health educators and community health workers have kept harping on the need for "educating" the public about tuberculosis.[56],[57] They could not think of "educating" the programme administrators to take into account the community health behaviour and accordingly formulate suitable services. They have written numerous accounts as to how the villagers in India refused small-pox vaccination because of their superstitious faith in the goddess *"Sitala"*, but they could not take note of the very glaring fact that a much larger number of persons remain unvaccinated because nobody has cared to offer facilities of vaccination to them.[35]

VI

A Recent Study of Health Behaviour of Rural Populations in India

Taking note of the limitations in social science studies in health fields in India, an attempt was made by the author to narrow this gap by considering the activities of the primary health centre as a purposive intervention to change for the better some aspects of the pre-existing health culture of the community served by it. A research study was designed to examine the current status and the nature of this interaction between the health services that are introduced through the PHCs and the pre-existing culture of rural populations in India. A report on this study has already been published in this journal.[36] Only the broad outline of the study design and the principal findings are being summarised here to draw attention to some aspects of the health behaviour of rural populations which appear to be of significance in shaping the future pattern of the health services system of the country.

In order to get data on health behaviour of rural populations under relatively more favourable conditions, a deliberate effort was made to select, in the first instance, PHCs and villages which are much above the average. The study has been completed in 16 villages, 10 of which also serve as the headquarter village of a PHC. These PHC are from seven states of the country, belonging to seven regions. Considerable attention was paid to developing a methodological approach that is specially tailored for studying the health behaviour of villagers (including their behaviour in relation to the PHC services) against the background of the total village culture. Research investigators lived in these villages for three to five months. Apart from making special efforts to get themselves accepted by all the segments of the village community and collecting data through village informants, the investigators identified informants and some "ordinary" members from each segment of the village community and made observations and conducted depth interviews to understand the health culture of each segment of the village against the background of its total culture. They also prepared case reports to provide a deeper insight into the response of the different segments to health problems in the fields of medical care, family planning, maternal and child health, communicable diseases, environmental sanitation, etc. Documents have been prepared to enable all the investigators to cover uniformly all the major areas in relation to these problems. Their stay in the village also enabled them to make direct observations, followed by depth interviews, of the actual behaviour of the villagers when they encountered certain specific health problems. They could also study the interaction between the PHC personnel and the villagers, both when the former visited the village and when the villagers, both when the former visited the village and when the villagers visited the PHC. Apart from these efforts to ensure that in-depth qualitative data were obtained from all the segments of the entire village community according to well defined work procedures and check lists, a quantitative dimension was given to the main qualitative data by framing an unstructured interview schedule on the basis of these data and administering it to a 20 per cent stratified random sample of the village households.

As an additional safeguard, after completion of the field work in the villages of a PHC, some of the data concerning the health behaviour of the community were cross-checked with personnel at the level of the corresponding seven State Directorates of Health Services. An additional three states were added to the original seven to examine how far the findings from these seven were applicable to the others. These ten states covered 77.8 per cent of the population of the country. Recognising that the complex nature of the subject of this study called for a new and rather exacting methodological approach, special safeguards were adopted to ensure that the data collected by all the investigators were of a minimum acceptable quality.

Taking into account the social and economic status of the people, the epidemiology of health problems and the nature of the health services available,

it is not surprising that problems of medical care should be by far the most urgent concern among the health problems in rural populations. But the surprising finding is that the response to the major medical care problems is very much in favour of the Western (allopathic) system of medicine, irrespective of social, economic and occupational considerations. Availability of such services and capacity of patients to meet the expenses are the two major constraining factors. On the whole, the dispensary of the PHC projects a very unflattering image. Because of this and because of its limited capacity it is unable to satisfy a very substantial proportion of the demand of the villagers for medical care services. This enormous unmet felt need for medical care services is the main motive force in the creation of a very large number of the so-called Registered Medical Practitioners (RMPs) or "quacks". The RMPs are thus in effect created as a result of the inability of the PHC dispensary or other qualified practitioners of Western medicine to meet the demands for medical care services in the villages. It is worth noting that all these RMPs use allopathic medicines rather than ayurvedic or unani medicines. When these RMPs prove ineffective, depending on the economic status of the individual and the gravity of his illness, villagers actively seek help from government and private medical agencies in the adjoining (or distant) town and cities.

There are, however, numerous instances of adoption of healing practices from qualified or non-qualified practitioners of the different Indian systems of medicine and homeopathy and from other non-professional healers. But among those who suffer from major illnesses, only a very tiny fraction preferentially adopted these practices, by positively rejecting the facilities of the Western system of medicine which are more efficacious and which are easily available and accessible to them. Usually these practices and home remedies are adopted (i) side by side with Western medicine; (ii) after Western medicine fails to give benefit; (iii) when Western medical services are not available or accessible to them due to various reasons; and, (iv) most frequently, when the illness is of a minor nature.

Another very significant finding of this study is that the family planning programme has ended up in projecting an image which is just the opposite of what was actually intended. The image of the family planning workers in rural areas is that of persons who use coercion and other kinds of pressure tactics and who offer bribes to entice people into accepting vasectomy or tubectomy. Because of the failure of family planning workers to develop a rapport with the villagers, sometimes the villagers are unable to meet their needs for family planning services. There are several instances of mothers who, failing to get suitable family planning services from the PHC, took recourse to induced abortions to get rid of unwanted pregnancies. This not only points to the failure of the programme to meet their needs for the services but it also draws attention to the failure of the programme to offer suitable abortion services to mothers with unwanted pregnancies, despite the passage of the abortion bill.

Another significant finding of this study is that there is considerable unmet felt need for the services of the Auxiliary Nurse Mid-wife (ANM) at the time of childbirth. Villagers are keen to have the ANM's services because they consider her to be more skilled than the traditional *dai*. Wherever the ANMs have provided the services, the *dia*'s role has become less significant. The overall image of the ANM in villages, particularly in North India, is that of a person who is distant from them—meant only for special people or for those who can pay for her services. She is not for the poor. She can be called only when there are complications and then also she has to be paid. Because of the inaccessibility of the ANMs, the majority of the deliveries even in the villages where the PHC is located are conducted by *dais* and relatives and neighbours. In villages with no PHC, their sway is almost complete. As in the case of the Registered Medical Practitioners, confinement by relatives and friends and by indigenous *dais* is popular among the villagers not because of their intrinsic superiority but because in the absence of suitable services from the ANM/Lady Doctor, they are compelled to settle for something which they consider to be inferior but which is all that is available and accessible to them. They actively seek more specialised services either from the PHC or from the towns and cities when the *dais* are unable to tackle complicated cases.

The only two programmes which can be stated to have reached the grass-roots level in the villages are those concerning malaria and small-pox. Despite several complaints regarding the sincerity of these workers, there is almost a universal agreement among the villagers that these workers do visit the community. A significant finding is that these workers do not encounter any major obstacle in getting participation of the community in these programmes. Except when there are understandable compulsions, such as the prospect of a poverty-stricken mother losing wages for 4-5 days in the peak agricultural season due to the child's vaccination reactions and some cases of orthodoxy, there is general acceptance of small-pox vaccination in village communities. The number of children who are left unvaccinated due to lapses of the parents appear to be a very small fraction of those who remain unvaccinated due to lapses of the vaccinators and their supervisors.

Patients suffering from tuberculosis, leprosy and trachoma get very little service from the corresponding national programmes. It is remarkable that despite this, they actively seek help from elsewhere — from nearby towns or even big cities. Such help is not only much more expensive and bothersome but it is also much less efficacious, both clinically as well as epidemiologically. Other preventive measures, of course, are almost non-existent.

Extensive prevalence of abject poverty, as a result of which more than half of the population is unable to meet even the minimum dietic calorie needs and appalling conditions of sanitation, water supply, housing and education present an ecological setting which is conducive to widespread prevalence of various types of health problems in the community. These health problems form only a small component of the overall gloomy picture of the way of life in Indian villages. Ignorance, superstition, suspicion, apathy and fatalism should thrive in such a milieu. It is, therefore, a tribute to the strength of the culture of the rural populations that, despite these overwhelming odds, their health behaviour has retained so much of rationality.

Because of their urban orientation, workers of rural health and other developmental agencies generally have a strong distaste for rural life. This distaste is for the entire way of life and not simply for the very poor facilities available there. Health workers tend to keep a distance from the rural population as a whole. However, as they are required to work for rural populations, they take advantage of the village power structure and confine themselves, as far as possible, to satis-



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fying the privileged gentry of the village. In doing so they (a) win approbation and rewards from the so-called community leaders who have the ear of their superior officers and of the political leaders at the higher levels; (b) deal with the least disagreeable segment of the village community; and (c) get a free hand to "tackle" the rest of the community.

The findings of this study bring out some of the key issues which are of far-reaching significance for the future development of the health services system of the country:

(1) It brings out clearly that there is no significant cultural resistance to acceptance of modern medicine as long as they are efficacious and are available and accessible to the people. This finding, therefore, seriously calls into question the belief of a very significant section of health administrators, social scientists and health educators that there is considerable cultural resistance to the acceptance of modern medical practices in rural populations in India.

(2) The existing health services are working at a grossly low level of efficiency, which has led to considerable under-utilisation. Priority should, therefore, be given to ensuring that this problem is over come.[59]

(3) There is also considerable scope for bringing about qualitative improvements in the existing health services system in rural areas by bringing it more in tune with the social and cultural setting of the village communities.

(4) Finally, after ensuring a reasonable level of utilisation of the existing capacities quantitatively and after bringing about qualitative changes, there is a strong case for making quantitative expansion of the health services to meet the requirements of rural populations. This will imply rectification of the existing imbalance in allocation of resources, requiring a shift in investment from urban to rural areas, from curative to preventive and from the privileged to the underprivileged.

VII

Summary

There has been a cumulative increase in the knowledge of the medical sciences which has at times grown almost at an exponential rate. However, the actual application of this knowledge to societies is determined by a number of political, social, cultural, economic and technological factors. In ancient India, when these factors were favourable, despite the very rudimentary nature of the available knowledge, the people enjoyed a much higher level of health services than what is available at present. In fact these favourable conditions created a setting which enabled the society to make significant contributions to the body of medical knowledge — through Charaka and Susruta, for instance. The decline of the society in the subsequent centuries saw a decline in the health service system. Colonisation of the country by the British, when every facet of its activities was subordinated to the interest of the Imperial Government in London, dealt almost a fatal blow to the still active Indian systems of medicine. The entire health service system of the country was purposively developed to provide the Western system of medical services to a small privileged group — the armed forces, the British civilians and the Indian gentry. Medical colleges were opened to prepare Brown Englishmen, medical institutions were established to serve the gentry living in urban areas and officers of the armed forces medical services were brought in to administer the health services.

With the advent of Independence, the new leadership readily committed itself to providing good health services to the vast masses of people of the country, but for this it did not consider it necessary to bring about basic changes in the system. The colonels of the Indian Medical Service, by then greatly depleted by the withdrawal of the British, and the Brown Englishmen were assigned the very much more challenging task of building the new health services system for India. Medical colleges grew very rapidly and these colleges poured in a large number of physicians who were mostly alienated from the masses of the people. A number of hospitals were opened in urban areas. Out of the limited resources that were made available for providing preventive services for rural areas, the colonels, with strong "persuasion" from foreign consultants, set aside big chunks for running mass campaigns against specific diseases — malaria, population growth, small-pox, leprosy, trachoma and filariasis. Not only have these campaigns hindered the development of a permanent health services system in the rural areas but almost invariably they have also failed to achieve the set goals. The country was persuaded in the late fifties to invest about Rs 1,010 mn to eradicate malaria by 1966, but, even after an investment of over Rs 3,500 mn, the prospect of doing so even by 1979 do not appear to be particularly bright. The campaign against population growth has turned to be a similar costly blunder.

Social scientists and health educators from abroad helped the colonels to divert attention from the basic malady of the system by raising the bogey of resistance of the villagers to acceptance of the Western system of medicine. Following that reference model,[58] their counterparts in India dutifully echoed their findings and a large number of positions were created to accommodate such professional health educators and social scientists within the system. Findings of a carefully conducted empirical study of health behaviour of rural populations of India have been presented to underscore the fact that already there is considerable active interest among villagers in acquiring both curative and preventive services. Mostly it is the services which have let the people down, rather than the reverse. Not only are the rural health services very much below what the Bhore Committee's short-term programme had called in 1946 the "irreducible minimum requirements" and much below the actual demands of the people, but even these very limited services are working at an alarmingly low level of efficiency — one of the main causes for this being the alienation of the health workers and of the institutions for education and training of such workers from the masses of the people of the country.

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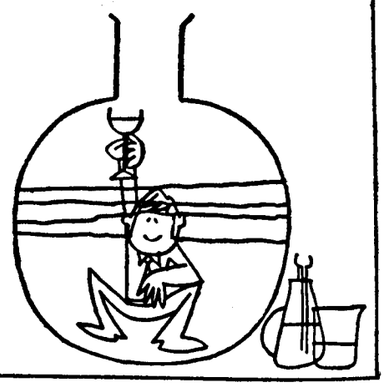
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Bio-Gas Plants: Prospects, Problems and Tasks

C R Prasad

K Krishna Prasad

A K N Reddy

The initial part of this paper contains a detailed study of whether bio-gas plants will fulfil the demand for a decentralised energy and fertiliser production, particularly in the large number of small villages which, on economic grounds, are going to be by-passed in the rural electrification programmes.

Considering a village of 500 persons, 250 cattle and 100 houses, it is shown that, despite a 75 per cent dung collection efficiency, a low bio-gas yield of 3 cft per lb dry dung will provide a total energy of about 667.5 KWH per day at a generating cost of about 5 paise per KWH. This energy output is over 30 per cent more than the 500 KWH per day now consumed by such villages from both commercial and non-commercial energy sources. Further the bio-gas energy output is sufficient for 10 pumpsets (200 KWH per day), 5 industries (50 KWH per day), one light in every house (67.5 KWH per day), energy for cooking in every house (200 KWH per day), and 150 KWH per day for miscellaneous purposes. In contrast, rural electrification programmes are only targeting for about 100 KWH per day thus compelling the continued use of non-commercial fuels, and as a consequence, the continued loss of fertiliser and forest through the burning of dung and firewood. The items for a cost-benefit comparison of bio-gas energy production vs rural electrification are tabulated, and appear to favour the former.

In addition, the bio-gas plants will produce about 295 tonnes per year of organic manure, corresponding to about 4.4 tonnes of nitrogen per year from which the minimum additional yield of foodgrains may be expected to be about 22 tonnes. This fertiliser output is more than the village's requirements on the basis of current average consumptions of nitrogen per hectare. Further, fertiliser production from bio-gas plants appears to have several advantages over production from large-scale coal-based plants from the point of view of the saving of capital and the generation of employment.

Despite these obvious benefits which are likely to accrue from currently available bio-gas plants, it is stressed that drastic reductions in plant cost must be achieved to prevent the Government plans from being woefully inadequate for exploiting the full potential of bio-gas production of energy and fertiliser.

The concept of solar energy plantations to grow plant matter for fermentation in bio-gas plants is described; and calculations are presented to show that one acre of a water hyacinth plantation can produce in a bio-gas plant about 165 KWH per day in addition to 1.23 tonnes per year of nitrogen in fertiliser and 0.37 tonne per year of edible protein.

The following crucial socio-economic problem will be generated by the installation of bio-gas plants in a village: if the programme is not intended to serve the rural rich only, then the energy demands of villagers who do not own cattle must be satisfied, failing which they will continue burning dung cakes and firewood. The solution to this problem will determine the success of the bio-gas programme from the village and national point of view.

The concluding part of the paper contains a listing of a number of major R and D problems. The range and character of these problems require that they be tackled by major institutions.

(1) Introduction

BIO-GAS plants operate on the principle that the anaerobic fermentation (i e, fermentation in the absence of air) of cellulose-containing organic materials leads to the production of the combustible gas methane. The main emphasis in India has been on the use of 'gobar' (cow-dung) as the fermentable material; hence, the popular name: gobar-gas plants.

Such plants consist of two main parts: a digester (or fermentation tank) with an inlet into which the fermentable mixture is introduced in the form of a liquid slurry, and a gas-holder to collect the gas (50-80 per cent methane, CH_4, and the balance mostly carbon dioxide, CO_2). In the design which is now widespread, the gas collector floats like a bell on the fermentation mix and serves, not only to collect gas, but also to cut off air to the digester (Figure 1). In addition, the gas-holder is provided with a gas outlet, and the digester with an overflow pipe to lead out the sludge which is what the spent slurry is often called. Since the sludge retains all the nitrogen, phosphorus and potassium of the organic material, it can be used as fertiliser.

The case made out for bio-gas plants by organisations such as the Khadi and Village Industries Commission has invariably been presented in macro-terms by calculating the possible benefits on a nationwide scale. For instance, these organisations have often argued* on the lines that the fermentation of 75 per cent of the dung collected from the country's 226 million cattle (1961 Livestock Census) will yield about 195 million MWH of energy per year[1] (which is equivalent to about 24 billion litres of kerosene[2]) and at the same time lead to the production of 236 million tonnes manure.[3] The nitrogen content of this manure will be about 3.5 million tonnes[4] which is more than the nitrogen fertiliser capacity established in the country thus

* See Appendix 1 for the norms used in calculations, and the Notes for calculations.

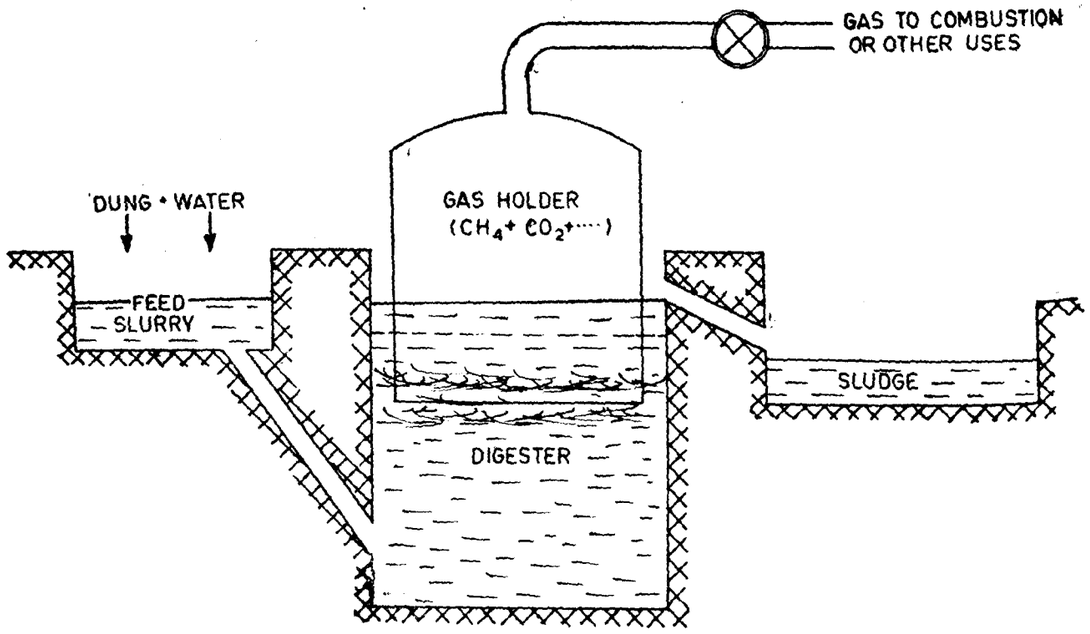


FIG.1. SCHEMATIC OF A GOBAR GAS PLANT, USED FOR OBTAINING METHANE FROM DUNG BY ANAEROBIC FERMENTATION.

far. The naphtha required to achieve this nitrogen content would be about 1.7 million tonnes.[5] Thus, it is envisaged that the large-scale utilisation of dung in bio-gas plants will lead simultaneously to the production of gaseous fuel and organic manure with a corresponding reduction in the country's dependence on electricity/kerosene for energy and on naphtha for fertiliser.

(2) The New Perspective

Though bio-gas plants have been known for several decades their prominence in public discussions of the energy and fertiliser situation is a recent phenomenon. There are several reasons for the growing interest in these plants. Foremost among these is the recent oil crisis which has compelled a desperate search for alternative sources of energy. But, even before the Arab-Israel war of 1973, the acute power shortage commencing in late 1972 had exposed the weakness of Indian energy planning, an essential aspect of which was the dependence on hydroelectric and thermal power to the extent of 8.2 per cent and 33.8 per cent, respectively.[6] The inherent weakness of this approach is that hydroelectric power is at the mercy of monsoons, and thermal power is sustained by the movement of coal for which task the railway transport system is already proving inadequate. It is in seeking an escape from these sensitive dependences that decentralised energy production becomes an attractive, *nay* unavoidable, proposition.

Decentralisation becomes even more attractive when one reckons with the severe electricity transmission losses[6] (the national average is 18 per cent, but the losses are as high as 35 per cent in Tamil Nadu), and extremely low load factors (1 to 14 per cent). These factors which lead to the unfavourable economics of electricity distribution to backward and remote areas, have been largely responsible for the poor progress of rural electrification.[7] It can be seen from Table 1 that only 11 per cent of the villages with a population of *under* 500 have been electrified, despite the fact that about 60 per cent of India's 5,67,000 villages have an under-500 population.

In other words, even the plans do not envisage power for about 2,80,000 villages with a total population of 141 million people (25 per cent of the country's population). And yet energy is an essential requisite for the progress of these villages, and this rural progress has to be the foundation of the country's development.

The energy crisis is only one dimension of the oil crisis; the other dimension involves fertilisers. In 1972-73, the total fertiliser consumption[8] was about 3 million tonnes (2 million tonnes nitrogen). Of this, 40 per cent came by way of imports costing Rs 135 crores[8] at that time. The rapidly escalating price of fertilisers and of the naphtha feedstock for fertiliser plants has made it vital to develop alternative sources of fertilisers. Coal-based fertiliser production, a hitherto much neglected programme, is now being assigned the highest priority. The first plants at Talcher and Ramagundam are expected[9] to be commissioned only in 1976. The implementation of the coal-based fertiliser programme is, therefore, sure to be associated with a lead time of several years at least. Even if successful, it must be remembered that, since coal is available in only a few parts of the country, the transport of coal feedstock or fertiliser output will generate an additional demand by railway engines for either oil or coal resources. Further, a major demand for coal has come up from three independent sources — thermal power plants, rail transport and fertiliser production; and it is to be seen whether the coal industry can meet all these require-

Table 1: Progress of Rural Electrification

Population Range	No of Villages	Electrified	Per Cent
Up to 499	349,995	39,924	11
500-999	118,602	32,378	27
1,000-1,999	65,101	27,775	42
2,000-4,999	26,400	18,179	69
5,000-9,999	3,404	2,739	80
10,000 and above	774	710	92
Total	564,216	121,705	22

ments. From these points of view, the dispersal of fertiliser production down to the level of villages/taluks becomes the obvious strategy.

This then is the perspective in which one must determine whether bio-gas plants will meet the energy and fertiliser demands of villages.

(3) Bio-Gas Potential of Small Villages

To discuss the bio-gas potential of small villages, it is necessary to have exact information on the human and cattle population, the daily yield of night-soil and dung, the efficiency of collection of these two inputs, the availability of water, the gas yield per unit weight of dung and night-soil, the availability of other fermentable cellulosic wastes, etc. The following general formula can be proposed.

$$P = N_A \; x_D \; Y_D + N_P \; x_{NS} \; Y_{NS} + \sum_i W_i \; Y_i$$

where P is the daily production of bio-gas possible in the village, N_A and N_P, the cattle and human population, x_D, and x_{NS}, the average daily collected yield of dung per animal and night-soil per person, Y_D and Y_{NS}, the gas yield per unit weight of dung and night-soil, W_i the total daily available weight of fermentable cellulosic waste of the type i, and Y_i, the corresponding gas yield per unit weight of this cellulosic waste i.

The various parameters in the above equation may vary drastically from state to state and from region to region. For example, whereas the all-India average for the persons to cattle ratio, N_P/N_A, is about 2, this ratio is as high as about 20 in Kerala. Similarly, x_D, the daily yield of dung per animal depends on the average size of cattle, which differs from one part of the country to another. Finally, the availability, W_i, of fermentable cellulosic matter of various types would be quite different in different areas.

Though this fine structure of the problem is vital for decision-making regarding the economics and design of bio-gas plant(s) in a particular village or region, the approach in this paper is to treat a model situation in order to estimate the possible benefits to villages that adopt bio-gas plants.

Consider a village of 500 persons with 100 houses and 250 cattle.[10]

Assuming the national average value of 1.16 tonnes of dry dung per year (i e, 3.2 kg or 7 lbs dry dung per animal per day) arrived at in the detailed study by the National Council of Applied Economic Research, the cattle in the village can be expected to yield 795 kg (1,750 lbs) of dry dung per day.[11] It is reasonable to assume that only 75 per cent of this dung will be collected; hence, the village would have only 597 kg (1,313 lbs) of dry dung available for use in its bio-gas generators.

The yield of bio-gas from the fermentation of dung is known to depend upon the ambient temperature. Lower temperatures result in lower gas yields. A reasonable figure, corresponding to winter (15°C) yields, is cft* of gobar gas per lb of dry dung; this doubles to 6 cft/lb dry dung at 27°C.[12] On the basis of the lower figure of 3 cft/lb (which is used throughout this paper), the village can generate about 3,950 cft of gobar gas per day from cattle dung.

In addition, if the village has latrines connected to gas plants, a further 500 cft of bio-gas will be generated on the basis of 1 cft bio-gas per person per day.

The total daily production of bio-gas in the village can therefore be reckoned at about 4,450 cft bio-gas. This figure excludes the proven possibility of fermenting a number of cellulosic waste materials in bio-gas plants. These materials include poultry wastes (e g, chicken manure), piggery wastes, slaughter-house and cannery wastes, bagasse, etc.

* The metric system is not adhered to consistently because many of the magnitudes are simpler in British units. The conversion factors are 35.31 cft=1 cubic metre and 2.2 lbs=1 kg.

(4) Total Energy Requirements of a Small Village

The total daily production of bio-gas in a village (of population 500) must now be seen in relation to its energy requirements. But, what are these requirements?

Estimate I[7] which is based on data collected from typical villages with a population of less than 500 shows that the actual daily energy consumption is of the order of 500 KWH which is equivalent to 3,333 cft of bio-gas. This consumption is distributed as follows: 200 KWH for cooking; 200 KWH for energising 10 pumpsets of 5 HP working for 5 hours per day, and 1,000 KWH for lighting, entertainment, etc. At present, the villagers obtain this energy by burning cow-dung, firewood, coal or kerosene, and by running pumpsets with diesel or petrol or electricity.

Estimate II of the total energy requirement of the village is based on an analytical approach. The daily per capita requirements for cooking have been estimated by the Khadi and Village Industries Commission (KVIC) to be 12 cft bio-gas per head per day;[13] hence, 500 persons will require 6,000 cft/day (900 KWH/day). For lighting, the 100 houses may be expected to consume 450 cft/day of bio-gas (67.5 KWH/day) on the basis of one lamp per house and of 4.5 cft bio-gas per day for a 100 candle-power lamp.[13] In addition, if one assumes, as the rural electrification authorities do, 75 KWH/day for 10 pumpsets and 20 KWH/day for 2 industries, one gets a total of about 1,065 KWH/day (i e, 7,100 cft/day).

A comparison shows that Estimate II is double the empirical value I mainly because the former takes into account 4.5 times more energy for cooking. (Are the KVIC figures for cooking based on urban eating patterns?)

In deciding which estimate to adopt, the following considerations are relevant. The consumption of non-commerical energy (dung-cakes, firewood and wood wastes) in India is about 212.8 million tonnes of coal equivalent per year.[6] The average efficiency with which these fuels are burnt in a village "chula" is about 11 per cent. Assuming that all this non-commercial energy is used in the rural sector with approximately 80 per cent of the country's population, the per capita daily consumption of energy comes out to be 1.145 KWH.[14] Thus, for a village population of 500, an energy of 573 KWH/day is required. This figure is quite close to the 500 KWH/day of Estimate I which will therefore be con-

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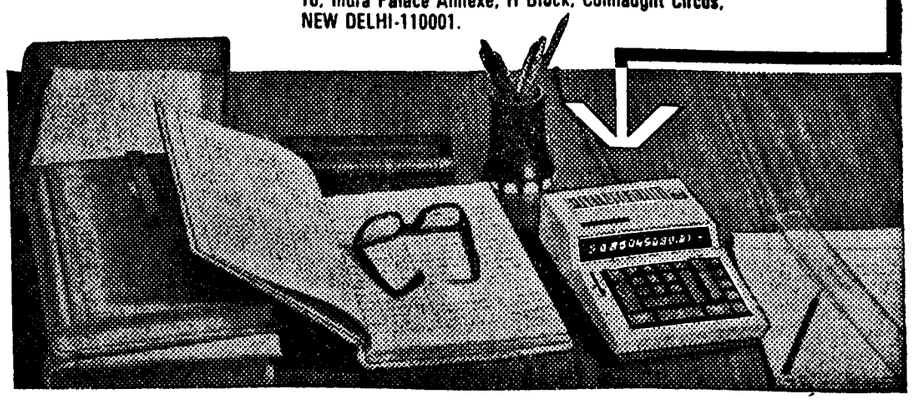
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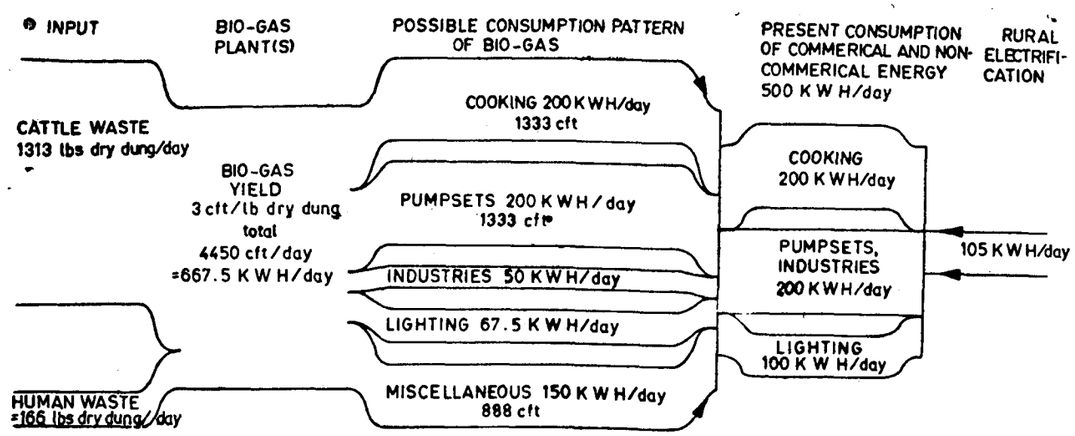


FIG. 2. PRESENT CONSUMPTION OF COMMERICAL AND NON-COMMERICAL ENERGY (500 K W H/day) IN A VILLAGE (POP=500) IN RELATION TO BIO-GAS ENERGY OUTPUT (667.5 K W H/day) AND RURAL ELECTRIFICATION SUPPLY (105 K W H/day).

sidered to represent the present energy demand of a village with a population of 500. Estimate II (1,065 KWHday) will be taken to represent enhanced energy demands of the future to be met by improved energy production systems in the village.

(5) Bio-Gas Plants vs Rural Electrification

The impossibility of meeting even the present energy requirements of 500 KWH/day has led the rural electrification authorities to lower their energy targets and aim only for about 105 KWH/day,[15] i e, about one-fifth the actual consumption. This 105 KWH/day is made up of 75 KWH/day for 10 pumpsets, 20 KWH/day for 2 industries, and about 10 KWH/day for lighting. The provision for lighting is quite elitist: 3 commercial lights, 1 street light and domestic lights in only 15 out of the 100 houses. Even to provide this negligible energy, the rural electrification authorities stipulate that the cost of laying the transmission line must not be more than about Rs 1,000/HP. In practice, this restriction means that the village must not be more than a few miles from a main transmission line, because the extension to the HT line costs about Rs 7,500/km.

Several consequences follow from such an approach.

Firstly, by not providing any energy of cooking, the village is compelled to continue with the practice of burning dung-cakes, firewood and waste for 40 per cent of its energy requirements. Since 45 per cent of the domestic fuel requirements in villages have been estimated to come from burning animal dung, the dung equivalent of this 0.45 x 200 KWH/day = 90 KWH/day is 200 lbs of dry dung per day,[16] which corresponds to 240 lbs (= 109 kg) organic manure per day,[17] with a nitrogen content of about 1.64 kg/day[17] or about 600 kg N/year. Thus, the needless burning of dung in the absence of an alternative source of cooking energy leads to a loss of 600 kg of N per year which could yield the village about 3 tonnes of additional foodgrains per year.[18]

Similarly, it can be shown that in order to obtain the remaining 55 per cent of the 200 KWH/day required for cooking, firewood must be burned at a rate of about 0.4 acres of forest per year[19] — a significant contribution to the deforestation problem.

Finally, the loss of the fertiliser value of the burnt dung must be made up by bringing fertiliser into the village. This fertiliser may add to the foreign exchange bill of the country by way of fuel for transportation as well as by way of imported naphtha.

In contrast, the total village production of 4,450 cft of bio-gas corresponds to 667.5 KWH/day[20] or 244 MWH/year. This energy is sufficient for 10 pumpsets at 20 KWH/day/pumpset, 5 industries at 10 KWH/day/industry, one light in each of the 100 houses at 0.675 KWH/day/house, energy for cooking in every house at 2 KWH/day/house leaving a balance of 150 KWH/day for street lighting, etc, (Figure 2). In other words, bio-gas energy will meet 1.335 times the present demand of 500 KWH/day, and 62.5 per cent of the future demand of 1,065 KWH/day, assuming a reasonable gas yield of 3 cft gas/lb dry dung.

If, however, the gas yield can be stepped up to 4.80 cft/lb of dry dung, the entire enhanced future demand of 1,065 KWH/day can be supplied by the dung (1,313 lbs) and nightsoil (500 cft/day) in the village (Figure 3). (How such increases can be brought about is discussed in section 11.)

Thus, a preliminary consideration of the items which should be considered in the costs and benefits of bio-gas plants vs rural electrification (Table 2) seems to favour the former even when both are possible. In fact, however, it has been stressed that rural electrification is not going to reach 89 per cent of the villages with a population under 500. These villages, therefore, have no choice except to adopt bio-gas plants.

It is relevant at this stage to consider the costs of energy from bio-gas plants. Some calculations (cf Appendix II) indicate that the generating costs are in the neighbourhood of approximately 5 to 8 paise/KWH. This price is competitive with the Electricity Board's generating cost of 4 paise/KWH of electricity which is sold to rural areas at prices which range in Karnataka from about 11 paise/KWH for agricultural purposes to about 30 paise//KWH for domestic consumption.

(6) Fertiliser Production from Bio-Gas Plants

It is well known that bio-gas generators yield organic manure (1.5-2.0 per cent nitrogen) in addition to bio-gas. The quantity and quality of this manure is said to improve if ani-

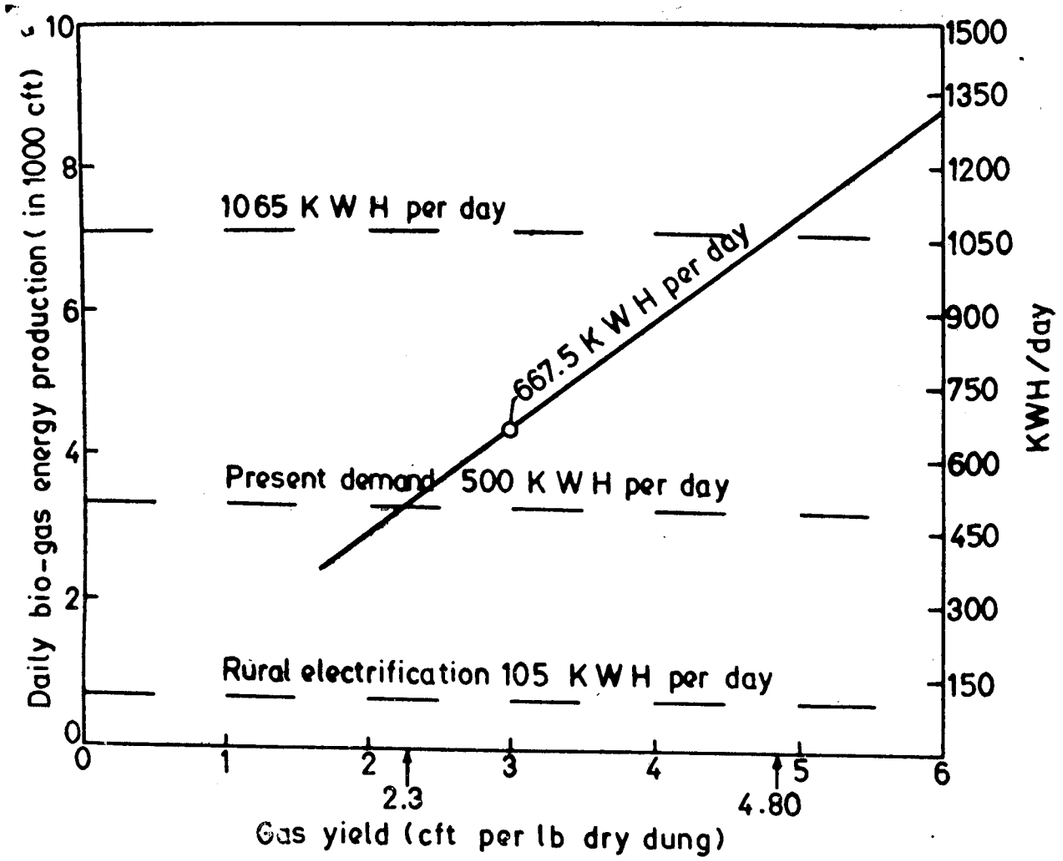


FIG. 3. DAILY ENERGY PRODUCTION IN A VILLAGE (POP. 500) AS A FUNCTION OF THE GAS YIELD AT A GAS YIELD OF 3 CFT/LB, THE ENERGY PRODUCTION IS MUCH IN EXCESS OF THE PRESENT DAILY DEMAND.

mal and human urine is fed to the bio-gas generators along with dung and nightsoil. On the basis of either a manure to dry dung weight ratio of 1.2:1 or a manure to gas ratio of 0.4 lbs manure/cft of gas, the village production of organic manure will be about 0.8 tonnes per day[21] with a nitrogen content of about 12 kg/day,[22] i e, about 295 tonnes of organic manure per year with a nitrogen content of about 4.4 tonnes per year. The retail price of this nitrogen is about Rs 19,140 per year at the June 1974 price of about Rs 4,350/tonne nitrogen. At present levels of consumption in India, *viz*, 12 kg N/hectare, the nitrogen output of the bio-gas plant can be used to service about 370 hectares which is about 27 per cent more than the average cropped land areas of 290 hectares/village.[23] Hence, bio-gas generators should easily be able to supply to the village its fertiliser requirements at present levels of consumption.

Assuming a low productivity of 5 tonnes of foodgrains per tonne of nitrogen, it follows that the fertiliser generated by the bio-gas plants will lead to an additional production of 22 tonnes of foodgrains per year for the village,[24] i e, 44 kg per year per capita.

This benefit is distinct from the other important benefit which will be derived from the saving in naphtha required to produce the fertiliser. This saving occurs to the extent of about 2 tonnes of naphtha per village per year[25] (calculated on the basis of a 2.1:1 ratio of nitrogen to naphtha).

If the manure-forming sludge is composted with refuse, etc, there is an approximate doubling of the yield; hence, the village production of compost can be about 1.62 tonnes/day with a nitrogen content of about 24 kg/day, i e, 590 tonnes compost/year with an annual nitrogen yield of about 8.8 tonnes/year.

An assessment of bio-gas generators viewed as village-scale fertiliser plants can be made by comparing them (Table 3) with large-scale coal-based fertiliser plants of the type now being planned.

The indicative figures given in Table

TABLE 2: BIO-GAS ENERGY PRODUCTION VS RURAL ELECTRIFICATION

Bio-Gas Energy

Costs	Rs	Benefits	Rs
(1) 5,000 cft/day Bio-gas plant	41,000	(1) 667.5 KWH/day: Cooking (200 KWH/day) and lighting (67.5 KWH/day) for 100 houses (free)	nil
(2) Distribution system for bio-gas energy (pipe lines, or generator and LT lines, or compressor and containers)	(4,350 pa) nq*	10 pumpsets at 200 KWH/day (12 paise/KWH)	8,760 pa
		5 Industries at 50 KWH/day (12 paise/KWH)	2,190 pa
(3) Water (about 4,200 litres/day)	nq	Miscellaneous at 150 KWH/day (15 paise/KWH)	8,210 pa
(4) Construction of latrines	nq		19,160 pa
(5) Payment for dung collection	nq	(2) Fertiliser (4.4 tonnes N/year at Rs 4,350/tonne) = Additional foodgrains (22 tonnes)	19,140 pa
(6) Plant operators(5)	5,475 pa	(3) FE Saving on 2 tonnes naphtha for fertiliser	
(7) Maintenance costs	2,381 pa	(4) Reduction of deforestation = Reduction of soil erosion (Saving of 0.4 acres forest/year)	
		(5) Improvement of sanitation and rural health	
	12,206 pa		38,300 pa

Rural Electrification

Costs	Rs	Benefits	Rs
(1) Generating plant cost (on pro-rata basis)	nq*	(1) About 105 KWH/day Lights in 15 houses at 10 KWH/day at 30 p/KWH	1,095 pa
(2) Average capital cost per village for extension of 11 KV HT line, transformer, internal LT distribution and services.	80,000	10 Pumpsets at 75 KWH/day at 12p/KWH	3,285 pa
	(8,486 pa)	2 Industries at 20 KWH/day at 12p/KWH	875 pa
	8,486 pa		5,255 pa

* nq = not quantified

3 suggest that the adoption of bio-gas plants to produce fertiliser (a) results in the dispersal of production units to villages, (b) saves capital, (c) saves foreign exchange, (d) generates two orders of magnitude: more employment of much less skilled workers; generates energy rather than consumes it, and (e) produces fertiliser where it is consumed and therefore removes the burden on the transport system in addition to reducing overheads on advertising/marketing. This *prima facie* case is intended mainly to stimulate detailed cost-benefit analysis of the alternatives for fertiliser production.

(7) GOVERNMENT PLANS FOR BIO-GAS PLANTS

It was perhaps an appreciation of the immense possbilities sketched above (Figure 4) that motivated the development of bio-gas plants. In this development work, a number of individuals and institutions have played a key role, but particular mention must be made of S V Desai, N V Joshi, J J Patel and C N Acharya of the Gandhi Smarak Nidhi, Shri Ramakrishna Mutt of Belur, the Planning, Research and Action Institute of Lucknow, the Khadi and Village Industries Commission, the Indian Agricultural Research Institute of Delhi, the Gobar Gas Research Station of Etawah, and the Central Public Health Engineering Research Institute of Nagpur.

Today, plants of about 20 different sizes and capacities are available, ranging from 60 cft/day (1.7 cubic metres/day) to 5,000 cft/day (142 cubic metres/day); and 8,000 plants are in operation in the country. The Agricultural Ministry now has plans to set up about 50,000 plants during the Fifth Plan Period.[26] Thus, after a long period of totally undeserved neglect, the future of bio-gas plants has, thanks to the oil crisis, become rosy.

Three comments however must be made on the government plans. Firstly, it appears, from the approximately Rs 7.5 crore outlay, that the government plans are for the smallest size of plants, i e, the 60 cft/day variety. Even with 50,000 such plants, only 0.08 per cent of the possible bio-gas energy and fertiliser output will be realised,[27] i e, the energy and fertiliser potentialities are being scarcely touched. Secondly, less than 5 per cent of cattle-owners have three to five animals necessary to run the smallest size KVIC gobar-gas plants, and therefore the government plans will benefit only a very small section of agriculturists. Finally, the assumption underlying the plans is that little further development work is required on the plants which have been deemed ready for mass production. It is in this context that one must emphasise some of the problems associated with these plants and indicate some possible lines of development.

(8) COST OF BIO-GAS PLANTS

According to a recent report on the Union Agriculture Ministry's plans, a 60 cft/day plant has been reported as costing Rs 1,500, and a 5,000 cft/day plant, Rs 41,000.[28] The KVIC is an undated pamphlet,[13] "Gobar Gas — Why and How", mentions a 106 cft/day (3 cubic metres/day) plant as costing about Rs 2,500, but the Fertiliser Commissioner furnished[29] on February 12, 1974, the figure of Rs 3,000 for the same plant. These differences can be understood by going into an analysis of the cost of bio-gas plants.

A 64 cft/day plant commissioned in December 1972, cost[30] Rs 1,500 with the following break-up: steel gas-holder, Rs 500; masonry and civil work, Rs 500; pipelines and connections, Rs 300; stoves and lamp, Rs 200. Hence, two-thirds of the total

DREAM OF HANDICAPPED - COMES TRUE IN TAMIL NADU

A young but blind dilly-dallying begs for a few coins;

He takes alms because he is devoid of vision — he sees new rays of hope now and sings:

"I'M HIGH IN THE SKY,
FLYING OVER FIELDS OF RYE
FROM UP HERE I CAN SEE
BOTH THE LAND AND SEA"

This is no soliloquy. The blind, deaf-mute and orthopaedically handicapped now see the day of salvation dawned on June 3, this year. The "Physically handicapped Rehabilitation Project" commenced on this day. Nearly 25,000 will receive training, employment in suitable jobs, this year.

Human compassion, charity, social responsibility and above all love for fellowmen invite you all to join this noble mission for social uplift and amalgamation.

ISSUED BY:

DIRECTOR OF INFORMATION AND PUBLIC RELATIONS
GOVERNMENT OF TAMIL NADU.

DIPR No: 30163.

TABLE 3: LARGE-SCALE COAL-BASED VS BIO-GAS FERTILISER PLANTS

	Large-Scale Coal-Based Fertiliser Plant	Bio-Gas Fertiliser Plant
Annual production/unit	500,000 tonnes urea	590 tonnes compost
Annual nitrogen production	230,000 tonnes	8.8 tonnes
Capital cost/unit	Rs 120 crores	Rs 41,000
Foreign exchange component	about Rs 50 crores	nil
Employment/unit	1,000	5
Sales @ Rs 4,350/tonne N	about Rs 100 crores	Rs 38,280
Capital/turnover ratio	1.20	1.07
To produce 230,000 tonnes N		
(a) Number of units	1	26,150
(b) Capital cost	Rs 120 crores	Rs 107 crores
(a) FE	about Rs 50 crores	nil
(d) Employment	1,000	1,30,750
(e) Energy	about 35 MW consumption	6,350,000 MWH generation

expenditure went towards the masonry fermentation tank and the steel gas-holder. The KVIC estimates for the gas holder, digester and pipelines/appliances are 35 per cent, 55 per cent and 10 per cent. It may also be noted[31] that about 50 per cent of the cost of a 4 cubic metres/day plant is the cost of raw materials; and of these raw materials, the 0.4 tonnes of steel and the 1.0 tonne of cement account for about 78 per cent. In short, steel and cement account for about 40 per cent of the total cost of a bio-gas plant,[31] and it is the price escalations of these raw materials which account for the varying cost figures.

Several conclusions follow from the above discussion.

(1) The initial outlay on even the smallest bio-gas plants is well beyond all except the affluent farmers. Of course, schemes are available for subsidy and interest-free loans, but these do not eliminate the vital necessity of drastic cost reductions to avoid unnecessary investments and a highly skewed distribution of the benefits of bio-gas plants.

(2) Attempts to cut down the cost of bio-gas plants must be directed towards the reduction, if not elimination, of the use of cement and steel.

(3) Apart from the cost of cement and steel, the quantity of these materials which are required is also a pertinent matter. About 10,000 tonnes of steel and 25,000 tonnes of cement are required[32] for the Agriculture Ministry's Rs 7.5 crore-plan for 50,000 of the smallest size (60 cft/day) plants. Since the country is passing through days of scarcity of steel and cement, these requirements can well prove a major obstacle to government plans for the installation of gobar-gas plants.[32] If, however, these requirements are negligible in comparison with the country's steel and cement production, this is only because the government plans are woefully inadequate, as stressed in Section 7. If the government had planned to instal 50,000 plants each of 5,000 cft/day capacity, then the total cost would have been about Rs 200 crores, and the raw material requirements would have been 0.41 million tonnes of steel at 8.2 tonnes/plant and 1 million tonnes of cement at 20 tonnes/plant.[33] Though such a programme would have largely solved the energy and fertiliser requirements of 50,000 villages at a cost which is only 43.5 per cent of the 1972 oil import bill,[34] it is clear that the demand for about 7 per cent of the country's production of steel and cement is rather high.[35]

Taking all these conclusions into consideration, one can think of various strategies for reduction in the cost of bio-gas plants and in the requirements of steel and cement. These strategies can be classified into various categories depending on whether they are based on :

(1) maintaining the present design of bio-gas plants as well as the raw materials used;

(2) maintaining the present design, but developing alternatives to cement and steel; and

(3) changing the design of the plants.

(9) REDUCTION OF PLANT SIZE AND COST

Little detailed information is available on the design calculations for the KVIC and IARI plants. According to an IARI paper,[12] the capacity of the digester has been chosen to hold about 50-60 days input of wet dung and water which must be added in a 1 : 1 or 4 : 5 ratio. Such a design implies, in our opinion, that the volume, V, of the digester should be given a formula of the form:[36]

$$V = \frac{CR(1+D)\ t}{Y\ d}\ F$$

where C is the desired capacity of the plant in cft of bio-gas per day, R is the wet dung/dry dung ratio (usually R = 5), D is the weight of water added to unit weight of wet dung, t_F is the fermentation time in days, Y the gas yield per unit weight of dry dung and d is the density of the dung-water mixture.

Inserting the following values; C = 100 cft/day plant, D = 1.25, t_F = 30 days (the fermentation time according to IARI),[12] Y = 3 cft/lb dry dung, d = 62.4 x 1.1 lbs/cft, the digester volume should be about 165 cft. As against this, the KVIC and IARI have proposed digester volumes of about 240 cft,[37] and 225 cft,[37] respectively. Whether these plants can be concluded to be over-sized (to the extent of about 45 per cent and 36 per cent, respectively) depends on whether conservative figures have been used in arriving at 165 cft. In fact, a yield of 3 cft/lb dry dung is a figure for winter temperatures in North India, and therefore, a 165 cft digester seems quite 'safe' for South and Central India, and for the bulk of the year in North India. At worst, if the yield drops below 3 cft/lb dry dung, the 165 cft design would correspond to a plant load factor of less than 100 per cent.

The design prospects are actually more promising, for the following reason. The digester volume, V, is proportional to (t_F /Y), and an increase in the fermentation temperatures, within a certain range, reduces the fermentation time, t_F, and increases the gas yield, Y. For instance, the Institute of Gas Technology, Chicago, has reported[38] that a residence time of 7-15 days is observed when the process is conducted near-neutral pH at about 35°C; and that, in the 52-60°C region, thermophilic micro-organisms predominate and the fermentation proceeds at a higher rate. Further, IARI have stated[12] that the gas yield doubles from 3 cft/lb dry dung to 6 cft/lb dry dung when the ambient temperature increases from 15°C to 27°C. If therefore one considers t = 12 days and Y = 6 cft/lb dry dung as a realisable fermentation time and gas yield respectively, one can achieve a digester volume of 35 cft for a 100 cft/day plant. In other words, it seems reasonable to expect that the digester volume can be cut to one-fifth the current size.

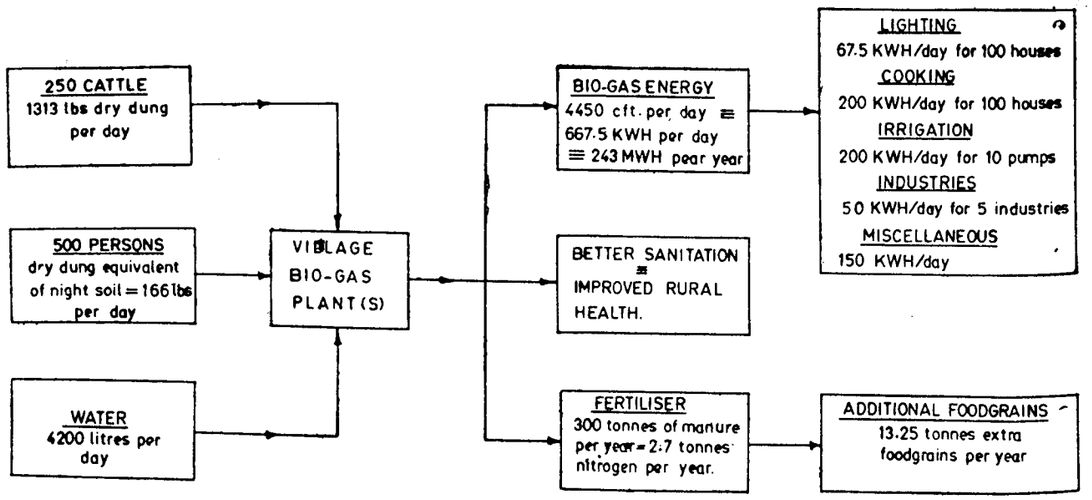


FIG. 4. BENEFITS ACCRUING TO A VILLAGE THROUGH THE ADOPTION OF BIO-GAS PLANTS. A LOW GAS YIELD OF 3 CFT. PER LB OF DRY DUNG IS ASSUMED.

Discussions on the utilisation of digester volume are best carried out in terms of the loading rate, L, which is given by the following expressions :

$$L = \frac{d}{R\,(1+D)\,t_F} = \frac{C}{YV}$$

The 165, KVIC 240, IARI 225 and proposed 35 cft digesters correspond to loading rates of 0.202, 0.139, 0.148 and 0.476 lbs dry dung/day/cft of digester volume. The aim should be to achieve high loading rates around 0.5 lbs dry dung/day/cft digester capacity.[39]

In order, however, to achieve such drastic reductions in digester size, and therefore increases in loading rates, it is essential to collect basic data on :

(1) the fermentation rate as a function of temperature, pH, viscosity and agitation;
(2) the gas yield and composition as a function of various factors including temperature, pH, viscosity, and agitation;
(3) the choice and management of micro-organisms for optimal methane production.[40]

A scrutiny of the IARI and KVIC literature on gobar-gas plants shows that such basic design data have yet to be collected and that the plants have been 'put together', rather than 'designed' for optimum conditions. The attainment or maintenance of optimum conditions would imply very much smaller fermenters, and therefore major reductions in the area of the masonry wall of the digester. Drastic savings in cement can therefore be realised.

If current designs and materials are adhered to, then the only way to reduce the quantity of steel for the gas holder is to take into account, as electricity authorities do, the actual time patterns of energy and power consumption. One can plan for a maximum demand of bio-gas assuming, for example, a pattern of gas demand as in Table 4 according to which both pumping and cooking are done in two one-hour periods : pumping between 6.30 am and 7.30 am and between 12 noon and 1 pm, and cooking between 8 am and 9 am and between 5 pm and 6 pm. On the basis of this pattern of gas demand, Table 4 shows that the gas holder need not be large enough to stock a whole day's gas supply; in fact, at no time of the day need there be a stock of more than 1,600 cft (i e, less than 40 per cent of the day's 4,450 cft of gas production). In short, the analogies with electricity generation and distribution can be used to minimise the cost and installed capacity of bio-gas plants on the basis of detailed studies of the energy demands of consumers.

(10) Alternative to Cement and Steel

A totally different approach to the reduction of the cost of plants based on the present design is to develop alternatives to cement and steel.

As far as cement is concerned, there seems little doubt that carefully constructed earth-work digesters can serve the purpose. It may be necessary, however, to use a suitable lining of perhaps creosote or PVC. Experience in the USA has shown that the costs of special linings can be greatly decreased or eliminated.[41]

Immediate attention must also be directed towards replacement of the mild steel holder, not only in view of its cost, but also because its fabrication requires skills not normally found in a village. In addition, its corrosion has been stated to be a problem, though no statistics are available on this point. Many materials, have been suggested[42] as candidates for the gas holder : ferro-cement, treated wood or plywood, plastic, glass/jute fibre-reinforced plastic, polythene with a bamboo-basket reinforcement, discarded oil drums, stoneware (fireclay); but only extensive technical trials and economic analysis can help in the choice of a material to replace mild steel.

(11) New Designs of Bio-Gas Plants

The gas holder and digester are coupled into one unit in bio-gas plant designs currently adopted in India. As a consequence, the necessarily large

TABLE 4: A SCHEMATIC PATTERN OF BIO-GAS DEMAND IN A VILLAGE

(cft gas)

Period	Production	Consumption	Gas in Holder
9.30 pm- 4.00 am	1,205	—	1,205
4.00 am- 6.30 am	464	100(L)	1,569
6.30 am- 7.30 am	185	667(P)	1,087
7.30 am- 8.00 am	93	—	1,180
8.00 am- 9.00 am	185	667(C)	698
9.00 am-10.00 am	185	—	883
10.00 am-12.00 pm	371	132(I)	1,122
12.00 pm- 1.00 pm	185	667(P)	640
1.00 pm- 2.00 pm	185	—	825
2.00 pm- 5.00 pm	556	200(I) +400(M)	781
5.00 pm- 6.00 pm	187	667(C)	301
6.00 pm- 9.00 pm	556	300(L) +500(M)	57
9.00 pm- 9.30 pm	93	50(L) +100(M)	0

L = Lighting; P = Pumping; C = Cooking; I = Industries; M = Miscellaneous.

diameter of the gas holder may needlessly increase the diameter of the digester since the former has to provide the air-seal for the latter. The probability of this situation will increase as the digester volume is reduced by design for higher loading rates.

One can, therefore, consider the separation of the two components so that a smaller digester can feed gas through a pipe into a larger gas collector. The question then arises as to whether the cover of the digester should be fixed or floating. A floating cover offers several advantages:[39] (1) there are less problems with scum because solids are constantly submerged; (2) when fresh slurry is added, or digested sludge is withdrawn, there is no need to add an equal volume of slurry, as must be done in a digester with fixed cover; (3) the danger of oxygen entering and mixing with the bio-gas to form explosive mixtures is reduced.

If a floating cover is used along with a separated gas holder design, then the gas holder can be made out of light, and even collapsible, material. Further, when the gas piped from the separated digester is collected by bubbling through a liquid, the latter can be chosen to separate out the CO_2 from the bio-gas. Thus, pure methane with 100 per cent to 25 per cent greater calorific value than bio-gas can be collected (see Section 13).

With regard to the design of the digester itself, there are two main problems with the current Indian designs : (1) the lack of adequate agitation of the fermentation mix and (2) the absence of proper temperature control. When slurry is not adequately agitated, a stratification takes place with the sludge settling under a thick layer of supernatant liquid on which floats the scum layer. The minimisation of stratification increases the gas yield, and therefore some method of mixing has to be introduced, for example, mixing by re-circulating the bio-gas,[43] by intermittently operated manual stirrers or by wind-mill-driven agitators.

When a mixing device is incorporated into the digester, it may become necessary to lead the mixture to a settling tank before the digested sludge is tapped out. The provision of such a second tank permits a re-circulation of part of the biologically active material to the primary digester. This re-circulation becomes important when the fermentation time is reduced to values comparable with the growth rate of the methanogenic bacterial population.[39]

If the fermentation temperature is left to be decided by the ambient temperature, then optimum conditions are more a matter of chance than of design. Temperature control in the digester is a necessary step in the evolution of new designs.

The suggestion has often been made of incorporating solar heating into the bio-gas generator. If this is to be done with tubes (carrying solar-heated water) introduced into the fermentation tank, then an auxiliary water pump has to be used because the conventional thermal convection of solar water-heaters will not work, the fermenter being at a lower level than the solar-energy collector. Instead, if one uses the separated digester design, the roof can be made to serve as a solar-energy absorber. The trouble here is that one will have no control on the temperature of the fermentation, and there would be diurnal as well as seasonal variations in the gas yield.

Another approach is to use a part of the bio-gas for heating the fermenter to the optimum temperature. Calculations[44] show that with a 35 cft digester for a 100 cft/day plant, only 10 cft of gas per day will keep the temperature at 27°C when the ambient temperature is 15°C, i e, only 10 per cent gas is utilised to achieve a 100 per cent increase in gas yield.

(12) Economic of Various Plant Sizes

In discussions on the use of bio-gas generators in villages, not enough attention has been paid to the comparative economics of various sizes of plants. The pioneering study of Parikh[45] on this subject needs to supplement with further studies which take into account the geographical distribution of houses in a village and on this basis the comparative costs of larger single plants involving the problem of gas distribution and of smaller plants servicing separated clusters of houses. There is a rich field here for cost-benefit analysts and village demographers, but until some answers are forthcoming on the economic sizes of plants, the technologists will not know what plant sizes to design.

In this context, it must be pointed out that there are definite economies of scale in bio-gas plants. For instance, if the energy of the bio-gas is stated in electrical terms, then the energy costs is 8.572, 8.571 and 4.954 p/KWH for 60, 100 and 5,000 cft/day bio-gas plants on an investment of Rs 1,500, Rs 2,500 and Rs 41,000, respectively (Appendix II). These figures include the cost of labour for running the plant, but exclude the proceeds from the sale of fertiliser. Thus, if a decision is made to instal one 5,000 cft/day plant for the entire village, then the capital investment is about a half what it would be for fifty 100 cft/day plants.

However, along with this saving in capital cost by going in for a village-scale, rather than family-scale, plant, one should also consider the question of the cost of distributing the bio-gas energy.

(13) Distribution and Storage of Bio-Gas Energy

One can think of three ways of distributing bio-gas energy :

(1) the bio-gas can be distributed through pipelines (GI pipe or poly-

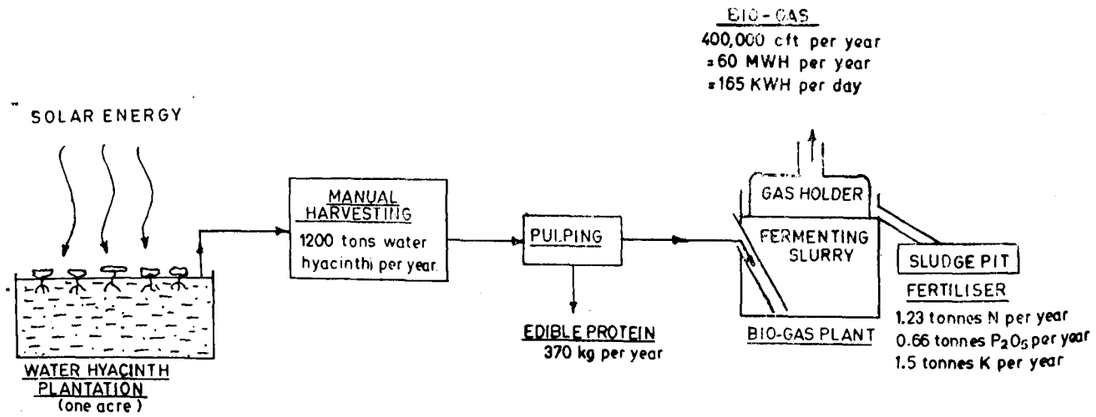


FIG. 5. SOLAR ENERGY PLANTATION-BIO-GAS PLANT

thene/alkathene tubing);

(2) the bio-gas can be used to run an internal combustion engine which drives a generator set, and the electricity thus produced can be distributed in the conventional way;

(3) the bio-gas can be stored in containers which can then be transported to the consumers.

The pipeline distribution of bio-gas over long distances (50-100 metres) requires compressors/booster pumps owing to the low pressure (about 4" water) at which the gas is generated.

The bio-gas-to-electricity method will need considerable R and D work on methane engines though it has been reported[16,17] that, with slight modifications, diesel and petrol engines can be (and have been run) on bio-gas.

The major problem in the storage of bio-gas with its 50-80 per cent methane is that the gas cannot be liquefied at ambient temperatures (the boiling point of methane is 161.5°C, the critical temperature is 82°C, and the critical pressure is 42 atmospheres) — this is the greatest disadvantage of bio-gas compared to liquefied petroleum gas (LPG). The storage of bio-gas must therefore be in the gaseous state, in which case pressures of the order of 5,000 psi[18] have been used to minimise the volume of gas for a given weight. To give an idea of the storage volumes at 5,000 psi, a container of 5.3 cft volume is required to store the bio-gas supply for a month's cooking energy for a family of five.[49]

Unfortunately, storage of bio-gas under such high pressure involves the problem of special steel cylinders which are not being manufactured in the country. To avoid the need for such special cylinders, the indigenously available cylinders used for LPG can be used, but these are designed for about 1,500 psi, which means that the gas supply for the family's cooking will only last about 10 days. If this situation is either unsatisfactory or uneconomic, there may be no alternative, where large volumes are not precluded, to the use of rubber/neoprene/polythene balloons for the storage under low pressure. If such balloons are double-walled, then the inner wall can be pumped in with a bicycle pump to compress the bio-gas to a small extent.

The storage of bio-gas is of great importance from two other points of view. Firstly, it is very likely that, within the next decade, a methane battery (fuel cell) will be developed to work at far lower temperatures than the present 700°C, Such methane batteries would enable the direct conversion of chemical to electrical energy without the efficiency limitations involved in going through the conversion *via* heat energy. Secondly, automobiles and tractors have already[50] been run on methane, and therefore one can look forward to further developments in this direction, in which case compact storage becomes an essential requirement.

There is one further aspect of the distribution and storage of bio-gas which deserves mention. This aspect is connected with the fact that bio-gas is a mixture of methane (50-80 per cent) and carbon-dioxide (CO_2); the extent of the small traces of hydrogen sulphide (H_2S) depends upon the fermentation conditions. The bio-gas mixture has an energy of 0.15-0.23 KWH/cft (500-800 BTU/cft or 126-202 kcal/cft); if, however, the carbon dioxide (and H_2S traces) are separated out and pure methane is obtained, then the energy content becomes about 0.29 KWH/cft (1,000 BTU/cft or 252 kcal/cft). For many applications, such as internal combustion engines, the purification of bio-gas, by the removal of CO_2 and H_2S is essential. The question arises as to what can be done with the CO_2 and H_2S. One suggestion consists of producing chalk by the reaction between CO_2 and lime. It is much more interesting, however, to pipe the CO_2 to green-houses to obtain very much enhanced yields of vegetables or fruits — as is being done in Israel. In the case of large bio-gas plants (4-9 million cft/day), a system for the recovery of elemental sulphur is incorporated into the raw bio-gas treatment process.[38]

(14) Water Requirements of Bio-Gas Plants

The adequacy of water supplies for bio-gas generators is another matter which has not been discussed in the publicity literature on these units. On the basis of a wet dung to dry dung ratio of 5 : 1 and a wet dung to added water ratio of 4 : 5, it turns out that 4,200 litres of water (935 gallons) are required per day for the village to run its bio-gas generators and produce 4,450 cft of bio-gas daily.[51] The *magnitude* of this water requirement has not been highlighted in descriptions of the possible benefits of bio-gas plants. If this water demand is excessive, as it surely will be in most backward villages, then attention must immediately be turned to achieving a "drier" process which requires less water for the fermentation.

Available data indicate a 40 per cent decrease of gas production when the water to dung ratio is reduced by about half,[52] but this reduction must be viewed against a possible 100 per cent increase when the fermentation temperature is increased from 15°C to 27°C. Thus, operation of bio-gas plants at higher temperature will permit lower water supply requirements. Whether this is an adequate answer to the water problem is a matter that must be scrutinised.

Otherwise, one may have to think of designs in which a settling tank permits re-cycling of a major fraction of the water/supernatant to the digester. Such re-cycling of water will reduce the volume of digested sludge to be handled for fertiliser production.

(15) Design of Latrine-Cum-Bio-Gas Plants

Though latrines have been coupled with bio-gas generators, it cannot be denied that there is great scope yet for an aesthetically architectured, efficiently-engineered latrine-gas generator units. Such units will not only contribute to the production of energy and fertiliser, they will play a major role in improving village sanitation and preventive health programmes. Many doubts have been raised regarding the social acceptability of such latrines, but the best way forward is to instal such plants and assess their acceptability, particularly amongst the underprivileged.

(16) Large-Scale Urban Sewage Plants

Another urgent need arising from the energy crisis is the development and erection of large-scale bio-gas plants for towns and cities. The pre-World War II sewage treatment plant at Bombay provided piped bio-gas for homes and was one of the first of its kind in the world. Since its installation, little progress has been made in the country.

Considering that 20 per cent of the country's population lives in towns and cities, it can be shown that about 6 million MWH of energy can be realised from urban nightsoil alone.[53] This corresponds to about 740 million litres of kerosene, i e, a per capita production of 7.75 litres of kerosene equivalent per year.[53] For instance, the sewage treatment plant installed by the Bangalore Water Supply and Sewerage Board will serve 492,000 persons and produce about 450,000 cft of bio-gas per day. This works out to a per capita production of about 1 cft/day, i e, about 0.15 KWH/day, and will meet the cooking requirements of about 7,500 families or 37,500 persons.[53] These figures are low compared to American reports,[38] according to which the bio-gas production from urban wastes in about 10-20 cft/day/person, but the discrepancy only means that the generation of refuse and garbage is a measure of 'progress'. Nevertheless, the utilisation of large-scale sewage plants to produce bio-gas is an imperative step because, in addition, these plants will produce fertiliser.

(17) Total Energy View

From a consideration of the dung production and present energy needs of a typical village, it was concluded that bio-gas plants are the answer to the energy problem. When it comes to implementation, however, one has to examine the characteristics of each particular village — the actual energy demand, the number of cattle in the village, the amount of dung which can actually be collected, the availability of water, the distribution of houses and lands, etc. Such detailed considerations may lead to the conclusion that bio-gas plants are only a partial answer to the present energy needs of the particular village. In such situations, one has to proceed with a total energy concept and take an integrated view of all possible sources of energy. Such a view will also be necessitated by the enhanced energy demands of the future.

Working on the principle that the village must be as self-sufficient as possible with regard to energy, it is obvious that the village must make claims on petroleum products and electricity only after exhausting its own resources. In other words, the fullest possible utilisation of solar and wind energy must be made.

(18) Windmills

Windmills can be directly used for pumping water; when they are used to provide motive power, their disadvantage is that the storage of wind energy in batteries is an uneconomic proposition today. A futuristic method of storing wind energy is by converting it into electricity and using this electricity to generate hydrogen by the electrolysis of water. This hydrogen can be converted into electricity in hydrogen-oxygen fuel cells. Another approach to the use of the wind-generated stored hydrogen is to lead it into the digester of a bio-gas plant. This hydrogasification of dry dung is a far more efficient process than the conventional anaerobic fermentation because in general the organisms responsible for the fermentation utilise molecular hydrogen and carbon dioxide.[41] In such a hydrogasification process, the methane content of the bio-gas increases considerably above the normal 50-60 per cent.

(19) Solar Energy Plantations for Bio-Gas Plants

A wholly different approach to methane production in bio-gas generators is through solar energy plantations. The main idea is to use solar energy for the photosynthetic production of plant matter which is then fed into a bio-gas generator and fermented there to produce methane (Figure 5). In these solar plantations, plant matter is grown with the specific objective of bio-conversion to methane, and therefore one seeks the highest yields. The following is an indication of the type of yields obtained: grasses 13-15 tons/acre/year; algae 20-30 tons with a peak value of 50 tons dry matter/acre/year; floating water plants 55-65 tons with a peak value of 85 tons dry matter/acre/year.[54]

Any one of these types of plant matter can be used in solar energy plantations, and algae have been suggested quite often. In India, however, there has been little work on the management of algae farms. In contrast, floating water plants, particularly water hyacinths and African payal, are a major aquatic pest precisely because they proliferate without management.[55,56] Attempts should therefore be made immediately to utilise them for bio-conversion to methane.

The gas yield by fermenting water hyacinths harvested from one acre of water is likely to be of the order of 400.000 cft year corresponding to 60 MWH/year, i e, 1.100 cft/day corresponding to 165 KWH/day,[57] which is more than what rural electrification offers. In addition, the sludge obtained from the fermented water hyacinth is rich in potassium, phosphorous and nitrogen. The annual sludge yield from one acre of water hyacinth contains about 1.5 tonnes K, 0.66 tonnes P_2O_5 and 1.23 tonnes N.[58] In addition, an edible protein is also obtained to the extent of about 370 kg/acre/year.[59] Considerable work has been done on the harvesting of water

hyacinths, and manual methods involving pitchforks, scythes and sickles are available.[60]

In considering solar energy plantations of the type discussed above (Figure 5), one must examine whether the returns on these plantations are greater or less than they would have been if the land and water had been used instead for growing conventional food and cash crops. That is, one has to carry out the cost-benefit analysis of the two possibilities of using the same land and water. Obviously, water-weed plantations will not be economic in areas where water is not plentifully available. One will have to turn there to plants which survive in hot and arid environments. The herbacious perennials of the amaranth family, e g, pigweed, have evolved unusual photosynthetic pathways[61] with a very high yield. These are the obvious candidates for solar energy plantations in arid areas.

(20) Socio-Economic Aspects of Bio-Gas Plants

Notwithstanding all the benefits likely to accrue to a village if it adopts bio-gas plants, the implementation of plans to produce and distribute bio-gas energy will be frustrated if the economic inequalities and the property structures in villages are ignored. The basic issue is the following: what happens to those villagers who do not own cattle? Are they to be supplied energy for cooking and lighting? If so, on what basis? Today, their energy needs are met by collecting dung and firewood and burning dung cakes and firewood. If the burning of dung and firewood is banned as a wasteful practice, and the villagers are in no position to buy bio-gas, then they will end up with no fuel at all — in other words, their position will be worsened by the introduction of bio-gas plants. In this situation, one has to compare in detail, on the one hand, the cost incurred by the nation when (a) firewood is burnt and deforestation is accentuated, and (b) dung is burnt as fuel instead of being used in bio-gas plants to produce fertiliser and save on imported naphtha, and on the other hand, the costs of supplying energy free to all the houses in the village. In this comparison, one can consider setting off the cost of the energy supplied to a family which does not own cattle against the payments to this family for the collection of dung. Even this may not be the answer, because as bio-gas plants become more popular, one can expect an increasing tendency to have stable-bound cattle to augment the collection of dung and urine. Such a tendency may lead to a resistance on the part of cattle-owners to surrender bio-gas to those who do not own cattle. A similar problem is likely to arise with bio-gas plants located for capital-saving reasons amidst clusters of houses which do not own cattle. Tentatively, it appears as if the best approach is for the panchayat to deem it a prime responsibility to supply energy for cooking and lighting to all the houses. As a sort of "development rebate", this gas can be supplied free for a couple of years until purchasing power picks up. The point is that there is a need to evolve a pricing policy for bio-gas energy and fertiliser keeping in mind social costs and benefits.

It should be clear from these sketchy considerations that much careful thinking needs to be done to see that private ownership of cattle, land and water does not inhibit the introduction of communal, rather than family, bio-gas plants. The present plans are wholly inadequate because they envisage no solutions to the energy demands of villagers who own no cattle. These plans will turn out to be solely in the interests of the cattle-owning rural rich. It may be mentioned here that 70-80 per cent of cattle-owners have only one or two animals, and less than 5 per cent of them have the four animals which are required to run the smaller size gobar-gas plants produced by the KVIC.

(21) Some Tasks for Research and Development

The detailed consideration of bio-gas plants which has been presented above highlights the immediate needs for research and development on a large number of problems. Some of these problems are listed below:

1 *Techno-economic problems*

1.1 Comparison of social costs and benefits of bio-gas plants and rural electrification.

1.2 Comparison of social costs and benefits of solar energy plantations and use of the same amount of land and water for conventional agriculture.

1.3 Comparison of social costs and benefits of small number of large-size bio-gas plants vs a large number of a small-size plants, taking into account economies of scale and village demography.

1.4 Methodology and techniques for routine decision-making regarding optimum location(s), size(s) and number of bio-gas plants in a particular village depending upon its cattle and human population, distribution of houses, etc.

1.5 Comparative economies of various ways of distributing bio-gas energy, *viz*, pipeline distribution of bio-gas, distribution of electricity produced from bio-gas and gas distribution in containers.

1.6 Formulation of schemes for ownership, control and distribution of bio-gas and fertiliser to villagers and appropriate safeguarding of interests of non-owners of cattle.

1.7 Nature of extension services required for popularisation of bio-gas plants.

2 *Fermentable materials*

2.1 Technology of the collection, and if necessary preparation, of various fermentable materials other than dung — poultry wastes, agricultural cellulosic wastes, e g, bagasse, cannery wastes, etc.

2.2 Technology of management of solar energy plantations — algae, water hyacinths, etc, including techniques of harvesting and preparation.

2.3 Design of latrines from the point of view of aesthetics, hygiene and non-manual introduction of human wastes into bio-gas plants.

3 *Fermentation research and technology*

3.1 Study of fermentation parameters (rate, gas yield, gas composition, etc) as a function of variables such as temperature, pressure, pH, viscosity, agitation, etc, for various input materials (dung, faeces, poultry and agricultural wastes, algae, water hyacinths, etc).

3.2 Study of the fermentation chemistry and microbiology with emphasis on the choice and management of micro-organisms for optimum methane production.

3.3 Optimisation of fermentation process for villages where water is scarce, i e, development of "drier" processes, and water re-circulation systems.

3.4 Development of cell-free enzyme processes for methane production.

4 *Plant design*

4.1 Detailed chemical engineering design of the bio-gas plant with maintenance of optimum conditions for methane production.

4.2 Development of nomograms for extension service workers to furnish on-the-spot designs to suit locally available fermentable materials, gas yields required, etc.

4.3 Research and development on alternative linings (polythene, creosote, earthwork, etc,) for the digester.

4.4 Research and development on alternative materials (ferro-cement, treated wood/plywood, polythene, glass-fibre or jute-fibre re-inforced plastic, polythene with bamboo-basket reinforcement, oil drums, stoneware, etc) for the gas holder.

4.5 Development of simple gas purification methods including utilisation of CO_2 in chalk industry or in greenhouses, and H_2S for elemental sulphur production.

4.6 Incorporation of auxiliary heating systems using solar heating for example.

4.7 Incorporation of agitators to stir the fermentation mix.

4.8 Study of safety hazards and design of safety procedures for plant operation and for handling and storage of methane.

5 *Fertiliser from bio-gas plants*

5.1 Study of the fertiliser characteristics of the sludge obtained from the fermentation of various inputs (animal, human and agricultural wastes, products of solar energy plantations).

5.2 Optimisation of composting techniques.

5.3 Study of the loss of fermentable solids into the sludge as a function of various factors.

5.4 Study of fortification of bio-gas fertiliser with chemical fertilisers.

6 *Bio-gas storage, distribution and utilisation*

6.1 Methods of storage of bio-gas including compression into cylinders, materials of construction of containers, e g, balloons.

6.2 Design and development of methane engines to drive electricity-generators and vehicles.

6.3 Development of methane fuel cells.

6.4 Design of auxiliary equipment for use of bio-gas for cooking, lighting and engines.

6.5 Development of Humphrey water-piston water-pumps running directly off bio-gas.

(22) Challenge of Bio-Gas Plants

The vast range of problems indicated above shows clearly that their solution can only come from advanced scientific and engineering inputs and from a multi-disciplinary R and D effort. Such capabilities lie today in the major scientific and technological institutions which must therefore take up the challenge. Unfortunately, it is precisely such institutions which have thus far ignored the science and technology of bio-gas generators.

This was not always the case. As far back as 1923 (over half a century ago) a classic paper[62] on the fermentation of cellulosic wastes was published from the Indian Institute of Science, Bangalore. The introduction to this paper shows clearly the motivation of the authors to contribute to the energy problem. Indian work continued to be in the forefront until around 1952 — the designs of various types of small bio-gas plants were first accomplished in this country.

Then, for some odd reason, for two decades bio-gas plants were denied the type of attention that they needed and deserved. Was this due to the large influx of foreign-trained scientists who used western criteria to influence the choice of R and D problems?

During this long period of neglect, institutions like the Khadi and Village Industries Commission and the Indian Agricultural Research Institute persevered with their interest in bio-gas plants. This commitment has now been fully justified by the logic of the oil crisis.

The time has now come for major R and D institutions to contribute their share. To discharge that responsibility, they must realise that there are as many scientific and technological challenges in the fermentation of dung as in the fission of nuclei. Or, will these institutions wait till bio-gas technology becomes fashionable in the West, as it will soon become?[38,63]

Notes

[This paper is very much the result of the new wave of interest amongst Indian scientists in alternative technologies, of which decentralised power production in a crucial aspect. Of those who came forth freely with informed criticism, ideas and literature, the authors would particularly like to thank L W Baker, V G Bhide, B Bowonder, M Jayaprakash, Ashok Khosla, G J Mohan Rao, M V Narasimhan, G L Patankar, N J Paul, V Radhakrishnan, K N Raj, S Ramaseshan, Narottam Shah, V R Sonti, A R Vasudeva Murthy and T R Venkatasubramanian. The authors are also grateful to the Centre for Development Studies, Trivandrum, for having arranged an extremely useful discussion on the first draft of this paper.]

1a (226 x 10^6 animals) x (7 lbs Dry Dung/animal/day) x (75 per cent) = 1.187 x 10^9 lbs DD/day.

1b (1.187 x 10^9 lbs DD/day) x (365 days/year) = 4.331 x 10^{11} lbs DD/year = 196 x 10^6 tonnes DD/year.

1c (1.187 x 10^9 lbs DD/day) x (3 cft gas/lb DD) = 3.559 x 10^9 cft gas/day.

1d (3.559 x 10^9 cft/day) x (0.15 KWH/cft) = 5.339 x 10^8 KWH/day.

1e (5.339 x 10^8 KWH/day) x (365 days/year) = 195 million MWH/year.

2 (3.559 x 10^9 cft/day) x (365 days/year) x (1.841 x 10^{-2} litres kerosene/cft) = 28.92 billion litres kerosene/year.

3 (196 x 10^8 tonnes DD/year) x (1.2 tonnes manure/tonne DD) = 236 x 10^6 tonnes manure/year.

4 (196 x 10^6 tonnes DD/year) x (1.2 tonnes manure/tonne DD) x (0.015 tonnes N/tonne dry sludge) = 3.540 x 10^6 tonnes N/year.

5 (3.540 x 10^6 tonnes N/year)/(2.1 tonnes N/tonne naphtha) = 1.687 x 10^6 tonnes naphtha/year.

6 K K G Nambiar, "Power — a A Man-Made Power Crisis", *Times of India*, November 25, 1973.
See also H N Sethna, "Energy — Systems, Development and Policy", VII Tata Memorial Lecture, Bangalore, March 29, (1974).

7 V G Bhide, Draft Report for NCST Panel on "Solar Energy utilization".

8 "Basic statistics relating to the Indian Economy", Commerce Research Bureau, (1973), Table 8.2.

9 *Deccan Herald*, May 5, 1974.

10 The 1961 Cattle Census showed that India had, on the average, about 0.5 cattle per person.

11a A detailed discussion of the average dry dung yield per animal per day is given in Parikh's thesis (Reference 45). See also National Council of Applied Economic Research, "Domestic Fuels in India", Asia Publishing House, (1959).

11b (7 lbs DD/animal/day) x (365 days/year)/(2,200 lbs/tonne) = 1.161 tonnes DD/year.

11c 7 lbs DD=35 lbs wet dung.

11d At the Aarey Milk Colony, the yield is said to be about 15 lbs/DD/animal/day, but the KVIC prefers the figure of 4 lbs DD/animal/day.

12 C N Acharya, "Preparation of Fuel Gas and Manure by Anaerobic Fermentation of Organic Materials", ICAR Research Series, No 15 (1957).

13 "Gobar Gas — Why and How", Director of Gobar Gas Scheme, Khadi and Village Industries Commission, p 20.

14 [(212.8 x 10^6 tonnes coal/year) x (11 per cent) x (7 x 10^6 kcals/tonne coal)]/[(860 kcal/KWH) x (570 x 10^6 persons)] = 1.145 x (365 days/year) x (80 per cent), KWH/day/person=572.5 KWH/day for a village of 500 persons.

15 Report of NCST Committee on "Chemical Sources of Energy".

16 (90 KWH/day)/[(0.15 KWH/cft) x (3 cft/lb DD)] = 200 lbs DD/day.

17a (200 lbs DD/day) x (1.2 lbs manure/lb DD) = 240 lbs manure/day.

17b (240 lbs manure/day) x (0.015 lbs N/lb manure)/(2.2. lbs/kg) = 1.636 kg N/day = 597.3 kg N/year.

18 (597.3 kg N/year) x (5 kg foodgrains/kg N) = 2.986 tonnes foodgrains/year.

19 (55 per cent) x (200 KWH/day) x (365 days/year) x (860 kcals/

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KWH)/[(2,000 kcals/lb wood) x (2,240 lbs/ton wood) x tons wood/acre)]=0.3855 acres/ year.

20a (4,450 cft/day) x (0.15/KWH/cft) = 667.5 KWH/day.

21b Dry dung equivalent of night-soil gas = (500 cft)/(3 cft/lb DD) = 166 lbs DD.

21c Total DD (including DD equivalent of night-soil gas) = 1,313 lbs + 166 lbs = 1,479 lbs/day.

21d (1,479 lbs DD/day) x (1.2 lbs manure/lbs DD)/(2,200 lbs/tonne) = 0.8069 tonnes/day = 294.5 tonnes/year; or (4,450 cft gas/day) x (0.4 lbs manure/cft gas)/(2,200 lbs/tonne) = 0.809 tonnes/day = 295.3 tonnes/year.

21e manure/day) x (2 tonnes com- After composting, (8.808 tonnes post/year) = 1.616 tonnes compost/day = 590 tonnes compost/year.

22 (0.808 tonnes/day) x (0.015 tonnes N/tonne manure) = 12.12 kg N/day = 4.4238 tonnes N/year; or 24.24 kg N in compost/day = 8.85 tonnes N in compost/year.

23 (4,424 kg N/year)/(12 kg N/hectare) = 368.7 hectares = 127% of 290 acres.

24 (4.4 tonnes N/year) x (5 tonnes foodgrains/tonne N) = 22 tonnes foodgrains/year.

25 (4.4. tonnes N/year)/(2.1 tonnes N/tonne naphtha = 2.095 tonnes naphtha/year.

26 S R Barooah, *The Hindu*, April 19, (1974).

27 (50,000 plants) x (60 cft/days/(3 cft/lb DD) = 10^6 lbs DD/day = 0.0842% of the possible All-India collection of dung, *viz*, 1.187 x 10^9 lbs DD.

28 *Deccan Herald*, February 15, (1974).

29 S R Barooah, *Deccan Herald*, February 13, (1974).

30 N J Paul, CECRI, Karaikudi, personal communication, (1973).

31 "Scheme for the Intensive Popularization of Gobar Gas", KVIC, (1973).

32a Estimate based on (a) the cost ratios of gas holders and digesters of various sizes of plants (see Reference 45) and (b) 0.4 tonnes steel and 1 tonne cement for a 4 cubic metres/day plant. *Steel:* (0.4 tonnes x 230)/(490)= 0.188 tonnes/64 cft plant = 9,400 tonnes for 50,000 plants. *Cement*: (1.0 x 310)/(630 = 0.49 tonnes/64 cft plant = 24,500 tonnes for 50,000 plants.

32b "Not one of the 2,000 gobar gas plants envisaged to be set up during the current year in Gujarat has come up because of shortage of cement and steel", *Economic Times*, July 4, (1974).

33a (50,000 plants) x (Rs 40,000/plant) = Rs 200 crores.

33b *Steel:* (0.4 tonnes x 10,000)/(490) = 8.15 tonnes/5,000 cft plant = 407,500 tonnes for 50,000 plants.
Cement: (1,0 tonne x 12,500)/(630)=19.85 tonnes/5,000 cft plant=990,000 tonnes for 50,000 plants.

34 Table 2.11 Reference 8.

35 Table 1.1 Reference 8.

36 V(cft) = [(C cft/day) x (R lbs wet dung/lb DD) x (1+D lbs mix/ x lbs wet dung) x (t $_F$ days)] / [(Y cft/lb DD) x (d lbs/cft mix)] The applicability of this formula can be demonstrated with some data from the University of Manitoba, Canada, where C=7,000 cft/day, R=100/14 D=1, t_F =30, Y=7/0.98 and d=62.4 x 1.03, from which it can be calculated that V should be 6,535 cft in comparison with the actual digester volume of 6,533 cft.

37 Blueprints for KVIC 100 cft/day plant and Figure 7 in Reference 12.

38 D L Klass and S Ghosh, "Fuels from Organic Wastes", *Chemtech*, November 1973, p 689.

39 E J Kirsch and R M Sykes, "Anaerobic Digestion in Biological Waste Treatment" in *Progress in Industrial Microbiology*, Vol 9 (1971).

40 H A Barker, "Biological Formation of Methane, Chapter 1 in "Bacterial Fermentations", John Wiley and Sons, Jnc, New York, (1956).

41 "An Enquiry into Biological Energy Conversion", The University of Tennesse, Knoxville, Tennesse (USA), December, 1972.

42 These suggestions have emerged from discussions between the authors and with a large number of persons including S Ramaseshan, V Radhakrishnan, V R Sonti, L W Baker, Ashok Khosla, and V G Bhide.

43 B N Pathak, D N Kulkarni, J M Dave and G J Mohanrao, "Effect of Gas Recirculation in A Pilot Scale Cow Dung Digester", *Environment Health*, (1965), VIII, 208.

44 [(100 cft/day) x (5 lbs WD/lb DD) x (2.25 lbs mix/lb WD) x (12 kcals/kg mix/12°C)]/[(6 cft/lb DD) x 2.2 lbs mix/kg mix) x (126 kcal/cft)]=8.1 cft/day=say, 10 cft, allowing for losses.

45 K S Parikh, "Benefit-cost analysis of Bio-Gas Plants in India", MSc Thesis, Massachusetts Institute of Technology, January (1963)

46 G Rosenberg, "Methane Production from Farm Wastes as Source of Tractor Fuel", *J Min Agric*, (1952), 58, 487.

47 H C Patel and M V Narasimhan, "Small I C Engines for Gobar Gas Utilisation".

48 G Rosenberg (see Reference 36).

49a 5 persons need 5 x 12=60 cft/day for cooking.

49b Volume of container at 5,000 psi=(60 x 14.7)/5,000=0.18 cft for one day's cooking requirements=5.29 cft for one month's cooking requirement.

50 *Newsweek*.

51 (1,479 lbs DD/day) x (5 lbs WD/lb DD) x (1.25 kg water/kg WD) x (1 litre water/kg water)/(2.2 lbs/kg)=4,200 litres/day

52 According to Reference 12, Table V, page 15, the 4 week gas yield goes down from 19.9 to 12.1 (a 40 per cent decrease) when the percentage of solids in the fermentation mix goes up from 8 per cent to 12 per cent. Since wet dung contains 20 per cent solids, the water to wet dung ratios corresponding to 8 per cent and 12 per cent solids are 1.5 : 1 and 0.655 : 1 respectively.

53a (20 per cent) x (550 x 10^6 persons) x (365 cft/person/year) x (0.15 KWH/ cft)=6.023 x 10^6 MWH/year.

53b (20 per cent) x (550 x 10^6 persons) x (365 cft/person/year) x (1.841 x 10^2 litres kerosene/cft) =735.7 million litres kerosene/year.

53c (0.45 x 10^6 cft/day)/(60 cft/day family = 7,500 families=37,500 persons.

54a "Solar Energy as a National Energy Resource", NSF/NASA Solar Energy Panel, Publication No NSF/RA/N-73-001, December 1972.

54b Ashok Khosla, "Conversion of Solar Energy through Photosynthesis: the Concept of Energy or Fuel Plantations", personal communications.

55 M V K Menon, "The Threatening Weeds", *Science Today*, p 33, August 1971.

56 Jon Tinker, "Water Weeds: Flies in the Irrigation Ointment", *New Scientist*, p 747, March 21, 1974.

57 DWH=Dried Water Hyacinths (60 tons DWH/acre/year) x (2,240 lbs/ton) x (3 cft gas/lb) x (0.15 KWH/cft)=60 MWH/year =165 KWH/day.

58a (60 tons DWH/acre/year) x (25 kg K/tonne DWH) x (1.02 tonnes/ton)=1.5 tonnes K/acre/year.

58b (60 tons DWH/acre/year) x (11 kg P_2O_5/tonne DWH) x (1.02 tonnes/ton)=0.66 tonnes P_2O_5/acre/year.

59 (60 tonnes DWH/acre/year) x (20 tonnes fresh WH/tonne DWH) x (6.32 kg protein/tonne fresh WH)=370 kg protein/acre/year.

60 F O Aboaba, "Management of Aquatic Vegetation", *World Crops*, p 21, January/February, 1973.

61 O Bjorkman and J Berry, "High Efficiency Photosynthesis", *Scientific American*, (1973), 229(4), 80.

62 G J Fowler and G W Joshi, "Studies on the Fermentation of Cellulose", *J Indian Inst Sci*, (1923), 3, 39.

63 H F Feldman *et al*, "Cattle Manure to Pipeline Gas — a Process Study", *Mechanical Engineering*, (1973).

Appendix I: Norms Used for Calculations

1 Wet dung to dry dung ratio=5:1.
2 Average dry dung yield=7 lbs Dry Dung (DD)/animal/day=3.18 kg DD/animal/day=1.16 tonnes DD/animal/year.
3 Average daily bio-gas yield from human waste=1 cft/person/day.
4 Average gas yield=3 cft gas/lb DD at 15°C=0.187 M^3 gas/kg DD at 15°C.
5 Energy content of gas (assuming 50 per cent methane)=500 BTU/cft gas=0.15 KWH/cft gas=126 kcal/cft.
6 2.93×10^{-4} KWH/BTU.
7 860 kcal/KWH.
8 Kerosene equivalent of gas=1.841×10^{-2} litres kerosene/cft gas = 0.65 litres kerosene/cft gas.
9 Manure yield=1.2 tonnes manure/tonne DD=0.4 lbs manure/cft gas.
10 Nitrogen to manure ratio=0.015:1.
11 Nitrogen to naphtha ratio=2.1:1.
12 Naphtha to dry dung ratio=0.005142:1.
13 Foodgrains to nitrogen ratio=5:1.
14 Calorific value of firewood=2,000 kcals/lb firewood.
15 20 tons firewood/acre forest.
16 Gas requirement for cooking= 12 cft/person/day (urban eating patter pattern?).
17 Gas requirement of lighting=4.5 cft/100 cp lamp/day.
18 Wet dung to added water ratio=4.5.
19 Yield of dried water hyacinth=60 tons DWH/acre/year=1,200 tons fresh water hyacinth/acre/year.

Appendix II: Generating Costs of Bio-Gas Energy

Assumptions:

1 The costs have been computed for three sizes of the plant: 60, 100 and 5,000 cft/day.
2 The capital costs, I, have been assumed[28, 13] as Rs 1,500, 2,500 and 41,000 respectively.
3 A life span, n_e, of 30 years has been assumed. This value which has been suggested by Parikh,[45] appears reasonable if the plant is made of cement and steel and the steel is painted regularly.
4 An interest rate, i, of 10 per cent has been assumed and is reasonable for this type of investment.
5 The plant is expected to be painted once in two years ($n_m = 2$). This will cost approximately Re 1 per cft of the plant.
6 An operator is necessary for loading the dung and clearing the slurry into drying beds. It is assumed that five full time operators would be necessary for operating a 5,000 cft/day plant. In Karnataka, the village wages are about Rs 3/- per day for unskilled labour.
7 A 10 per cent downtime has been assumed for the plant.
8 The sale of fertiliser from the plant will more than offset the cost of dung collection.
9 The annual capital cost has been worked out using the formula

$$C = I \frac{i(1+i)^{n_e}}{(1+i)^{n_e} - 1}$$

Where C=annual cost
I=Investment
i=interest rate
n_e=life span

10 The Annual maintenance cost has been worked out using the formula

$$M = S \frac{i}{(1+i)^{n_m} - 1}$$

Where S is the sum to be accrued at the end of $n_m = 2$ years for painting, e.g, S=Rs 60, 100 and 5,000 for the 60, 100 and 5,000 cft/day plants.

11 The annual labour cost, $L = n_L \times W \times 365$.

Where n_L =number of men required to operate the plant =5 for a 5,000 cft/day plant, and W=daily wage. The annual labour costs of the 60 and 100 cft/day plants have been taken on a proportional basis, i e, (60/5,000) and (100/5,000) of Rs 5,475.

12 The net annual electrical energy/cft of gas is calculated thus:
E=(0.15 KWH/cft gas) x (365 days) x (0.9 operating duration)
=49.275 KWH/cft

13 The energy cost, e, is given by

$$e = \frac{(C + M + L) \times 100}{49.275 \times Q} \text{ paise/KWH}$$

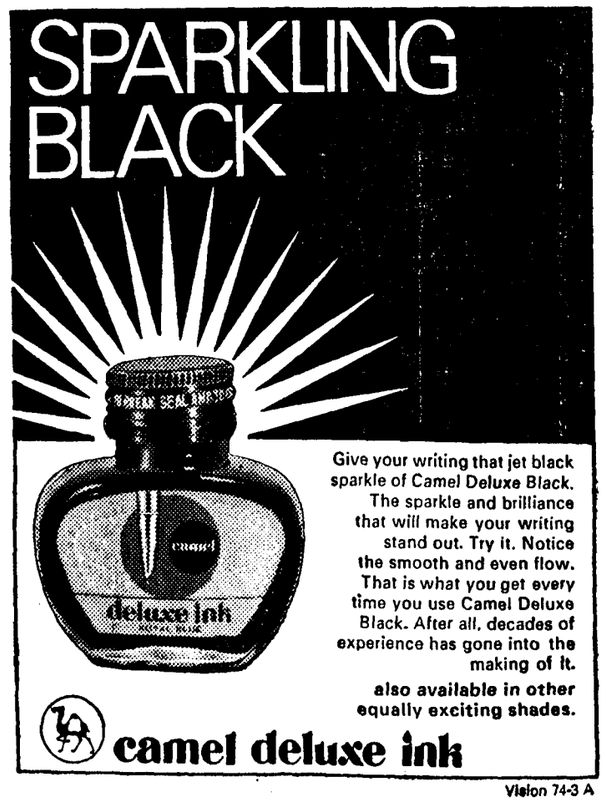
Where Q=capacity of plant in cft

14 The costs are tabulated as in Table A.

TABLE A: GENERATING COST OF BIO-GAS

(Rs)

		5,000 cft/day	100 cft/day	60 cft/day
1	Initial costs	41,00.00	2,500.00	1,500.00
2	Annual capital costs(C)	4,350.00	265.20	159.12
3	Annual maintenance costs(M)	2,381.00	47.62	28.62
4	Annual labour cost(L)	5,475.00	109.50	65.70
5	Total annual cost (C+M+L)	12,203.00	422.32	253.44
6	Energy cost, e(paise/KWH)	4.954	8.571	8.572
7	Kerosene cost (Rs 1.01/litre; equal burning efficiency) (paise/KWH)	10.6	10.6	10.6
8	Average electricity rate (paise/KWH)	11	11	11



The Great Leap Forward in China

An Analysis of the Nature of Socialist Transformation

Prasenjit Duara

To investigate the rasion d'etre *of the Great Leap is to examine problems which are common to all post-revolutionary societies undergoing a process of socialist transformation. The primary problem faced in a post-revolutionary situation is the shortage of capital required for industrialisation, which is a basic pre-requisite for the construction of a socialist society.*

As the first workers' state in an underdeveloped country, the Soviet Union faced this problem most acutely. It had to generate the resources for industrialisation from an impoverished pre-industrial sector of the economy by pushing down the consumption levels of the masses and alienating powerful elements in the countryside. The use of force necessitated the creation of a powerful and pervasive bureaucratic structure which, in time, usurped the role historically, ascribed to the working class.

The Stalinist model of development was almostuniversally taken over by the post-war communist regimes and applied in their respective countries during the early years of their rule. But, within a few years, the counter-developmental tendencies inherent in the model began to make themselves felt, and the pressure to reform the system became irresistible.

Recognition of the various problems inherent in the Stalinist model of industrialisation is at least implied in Mao's essays titled "On the Ten Great Relationships" written in 1956 and "On the Correct Handling of Contradictions" written in 1957. The Maoist alternative implemented during the Great Leap Forward focuses on an alternative economic strategy.

The Great Leap Forward cannot, however, be reduced to a single economic motivation. The Great Leap was the product of a 'vision' rather than a plan. It sought to transform the entire social system.

THE Great Leap Forward in China spanned the period beginning from March 1958 till the end of 1960. Before beginning its analysis, I wish to delineate two parameters of the study.

The first deals with the question: Why the Great Leap Forward? When we investigate the *raison d'etre* of the Great Leap we shall actually be examining problems which are common to all post-revolutionary societies undergoing a process of socialist transformation. The primary problems faced by backward or semi-developed societies in a post-revolutionary situation is the shortage of capital required for industrialisation, which is a basic pre-requisite for the construction of a socialist society.

As the first workers' State in an underdeveloped country, the Soviet Union, naturally, faced this problem most acutely. Since the inflow of foreign capital was necessarily limited, the Soviet Union had to generate the resources for industrialisation from an impoverished pre-industrial sector of the economy — by trenching into the consumption level of the masses and alienating powerful elements in the countryside. The use of force necessitated the creation of a powerful and pervasive bureaucratic structure which, in time, usurped the role historically ascribed to the working class.

The Stalinist model of development was almost universally taken over by the post-war communist regimes and applied in their respective countries during the early years of their rule. But, within a few years, the counter-developmental tendencies inherent in the model began to make themselves felt, and the pressure to reform the system became irresistible. Beginning, formally, with the Twentieth Party Congress of the Soviet Communist Party, these regimes began to experiment with different models of capital accumulation and economic development.

Recognition of the various problems inherent in the Stalinist model of industrialisation, is at least implied in Mao's essays called, "On the Ten Great Relationships" written in 1956, and "On the Correct Handling of Contradictions" written in 1957. These essays sum up the problems that the Chinese Communists encountered in their experience with the Stalinist model during the First Five-Year Plan. The Maoist alternative, implemented during the Great Leap Forward, focuses on an alternative economic strategy, but the Great Leap Forward cannot be reduced to a simple economic motivation.

This is the second parameter: the Great Leap Forward, in the words of Franz Schurmann was the product of a 'vision' rather than a plan. A plan is a carefully worked out blueprint dealing with precise magnitudes; a "vision is a total insight into the essential inter-relationships of a situation" and encompasses all factors of societal dynamics: economic as well as social and political. The Great Leap Forward sought to transform the entire social system, and I have found it necessary to bear this in mind throught out the study.

Background of the Great Leap

While the Great Leap Forward was intended to be a comprehensive resolution programme of all the contradictions that characterised Chinese society, the bulk of its policies and campaigns were concentrated on resolving the economic contradictions that existed in China around the end of its Five-Year Plan. This, and the next section, therefore, deal with these economic problems.

Problems of Stalinist Model

The main principles of the First Plan (1952-1957) can be broadly summarised thus:[1] the development of the capital goods industries should be such as to promote the rapid growth of heavy industry; the rate of growth of the goods industries; should exceed that of the consumer goods industries; and finally, the development of agriculture should be directed to ensuring adequate supplies of grain and industrial raw materials, and to increase the agricultural surplus from which to finance industrialisation.

When we turn to assess the overall *performance* of the economy during this period, we encounter the problem of having to face a number of divergent estimates. The official Communist estimates for the average annual rate of growth of net domestic product during 1952 to 1957 was 9 per cent.[2] The biggest yearly increase (14.4 per cent) took place in 1956, and the smallest (4.2 per cent) in 1957. The only independent estimate, which is close to the official one, is William Hollister's. It shows an average annual rate of growth of 8.7 per cent.[3] The *official Chinese figures* have been challenged by Choh-ming Li[4] on the basis of the fact that the pricing of new products has increasingly inflated net domestic product. Among the others, T C Liu and K C Yeh[5] suggest a lower annual rate of growth averaging around 6 per cent. Yuan-li Wu, whose estimates are based on certain revisions and extensions of Liu's data, suggests an even lower estimate of 5.2 per cent.[6]

These estimates, moreover, manifest considerable variation in their respective annual rates from year to year. For instance, the mean deviation in percentage points of the annual rate of growth was 4.1 in the official estimate.[7] The annual fluctuation suggests that the pattern of economic development — especially the allocation of investment and the choice of its growth rate — may themselves have played a significant role in the instability of the growth rate.

On the question of the 'accumulation rate' or the rate of investment,° there exists a far greater unanimity of opinion. That there was an almost uninterrupted increase in the absolute value of investment, from 1952 to 1957, is undisputed. Hollister's[9] estimates of the percentage of gross fixed investment to gross national product is fairly representative (Table A).

However, the estimates of the sectoral distribution of the fixed capital investment are more controversial. Differences exist as to the percentage

° The word accumulation' or 'accumulation funds' used by the Chinese Communists refers to fixed investment. The distinction between 'consumption funds' and 'accumulation funds', a distinction we shall encounter quite often, is made clear in the following passage:

"We all understand that the material form of consumption funds is consumption goods and that of accumulation funds is the means of production".[8]

TABLE A: PERCENTAGE OF GROSS FIXED INVESTMENT TO GROSS NATIONAL

1952	1953	1954	1955	1956	1957
9.1	12.4	13.9	13.8	17.9	15.9

TABLE B: PERCENTAGE OF FIXED INVESTMENT IN HEAVY INDUSTRY TO TOTAL FIXED INVESTMENT[12]

	1952	1953	1954	1955	1956	1957
Hollister	23.4	24.5	27.6	31.9	33.9	36.9
Eckstein	29.5	29.2	34.9	40.5	39.7	44.4

TABLE C: PERCENTAGE OF FIXED INVESTMENT IN AGRICULTURE TO TOTAL FIXED INVESTMENT

	1952	1953	1954	1955	1956	1957
Hollister[13]	34.6	26.2	26.6	28.3	24.4	25.2
Eckstein[14]	13.8	9.7	4.6	6.7	8.0	8.6

of heavy industry to total fixed investment. We can compare Hollister's estimates with those of Alexander Eckstein.[11] (Table B).

These differences — which are not very significant — notwithstanding, what stands out clearly from both these estimates is the rapid increase in the percentage allocated to heavy industry during this period. This conforms to the Communist view of a socialist society, a necessary pre-requisite of which is a highly developed heavy-industrial base.

However, major differences arise in the estimates of the share of agriculture in fixed capital investment. Once again, we can compare the two estimates (Table C).

Hollister's figures for investment in agriculture are conspicuously at variance, not only with Eckstein's estimates, but also with all the other estimates including the official Communist one.[15] Making his point clear, he maintains that

> The trend does not justify the commonly held view that the industrialisation drive commanded such large amounts of resources that agriculture was starved for investment.

and that:

> The peasants paid as heavy price for the rapid build-up of heavy industry, but the price was not one of insufficient investment in agriculture ... the peasant bore a disproportionate burden in financing the high rate of industrial investment, and farm per capita consumption suffered as a result.[16]

Thus, Hollister seems to be saying that, in studying the problems of the Chinese economy during this period, the level of agricultural production is not the key question. In other words, even if we suppose that the growth rates of agriculture were high, the exploitation of the peasantry — defined in terms of a high proportion of agricultural produce being diverted for purposes of accumulation, and consequently a declining per capita consumption in the rural areas — continued during this period. We can infer, then, that, for Hollister, the central problem concerns the exploitation of the peasantry. Though, as we shall see, it is true that the Chinese Communists were not willing to reduce the proportion of accumulation in the national income, it is also true that the proportion of accumulation was not rising very much — in fact, it may even have declined somewhat. As we shall see, this is primarily because agricultural output, and especially the annual per capita availability of foodstuffs itself, was not growing at any noticeable rate. That farm consumption suffered is to be seen, therefore, in the context of the lagging agricultural production and the more or less constant growth rate of the proportion of accumulation in the national income.

The point is not so much that, had agriculture been able to generate large enough surpluses there would have been no consumption problems. Instead, the problem may be posed as: There was slow growth in the traditional sector of the economy, *viz*, agriculture; the need eventually to break this slow growth necessitated a high rate of growth in the producer goods industries, thereby making it almost impossible to reduce the rate of investment in this sector; but, unless a greater share of investible funds is channelled into agriculture, not only would there be problems of consumption but in the long run the rate of accumulation would also tend to fall. In the Maoist schema, these are the contradictions of functions: the relationship between production, accumulation and consumption.

Before we proceed to substantiate this hypothesis, it is necessary to underline the all-important and pervasive role that agriculture plays in a developing economy. As Choh-ming Li has shown, in China, the whole economy fluctuates cyclically according to the nature of the harvest. It stands on a peak one year after a good harvest, and then takes a downturn, until one year after the next good (or normal) harvest when it abruptly climbs to a new peak.

According to the provisions of the Five-Year Plan, agriculture was to play the important role of supplying food to the growing urban population and financing industrialisation. It was to perform this second function in several ways: first, through the supply of raw materials to the consumer goods industries; secondly, it was to serve as the principal bulwark of the country's exports to finance imports of industrial equipment; and finally it was to contribute to investment in industry through the agricultural tax and compulsory deliveries.[17] Thus, we see that the very nature of industrial development is dependent on the fortunes of agriculture.** During 1952 to 1957, industry developed rapidly, at an average rate of 14 per cent to 19 per cent annually;[18] and, within industry, the investment goods sector developed at a faster rate than the consumer goods sector. Nonetheless, the industrial production record is characterised by marked annual fluctuations in growth rates. In the early years, there was rapid expansion, but by 1954, the rate of increase had dropped to half that of the preceding year, followed by another marked drop in 1955. This was due to the mediocre harvests in 1953-54, which caused shortages of raw materials. In 1955 there was a good harvest, and consequently the rate of growth accelerated in 1956; but the bad harvest in 1956 caused a curtailment in the rate of investment in 1957 and a corresponding decrease in the rate of expansion.[19]

** Foreign aid was marginal to China's economic development. See Alexander Eckstein, 'Economic Trends in Communist China and Its Policy Implications for the US', in "Mainland China in the World Economy". Hearings before the Joint Economic Committee, Congress of the US, Washington DC, 1967. "It is important to realise that the Chinese have achieved this rate of economic advance essentially by their own efforts... It is estimated that the Chinese were net importers of capital to the extent of US $ 430 million: this amounts to 0.3-0.4 per cent of the GNP for these years (from 1950 to 1957) and to about 1 per cent of total savings. However, since 1958, the Chinese have been net exporters of capital."

Thus, in order to ensure steady industrial expansion, agricultural production had to increase — and at a regular pace. Official statistics of agricultural output estimate the annual, overall, growth rate at 4.8 per cent, and the annual growth rate of foodgrains at 4.3 per cent during 1952 to 1957.[20] Given the fact that population in this period increased by about 2.5 per cent annually the annual per capita availability of foodstuffs, should have grown at the rate of 1.5 per cent a year. Both Choh-ming Li and Eckstein reject this figure on the ground that, the statistics "seem to contain a strong upward bias as a result of the improvements in crop reporting and the broadening coverage of agricultural statistics between 1952 and 1957... per capita output of food was [growing at] significantly less than 8 per cent (or 1.5 per cent annually)".[21] Besides, reports of the ever-tightening food supply in the cities seem to indicate something other than what the government statistics suggest.

That there was relatively slow growth in agriculture is further confirmed by the well-publicised fact of a shortfall in the production of consumer goods, which was attributed to the shortage of raw materials from agriculture. But, the problem of shortage of consumer goods is a problem of some importance in its own right too. In August 1957, Po I-po[22] announced that the major contradiction in the economy at that time was that production of consumer goods was lagging behind development of the economy as a whole. In October 1957, Yang Po wrote: "It was due to the shortage of raw materials produced by agriculture that the utilisation of the equipment of several consumer goods industries reached only the following percentages — textile industry 85 per cent, sugar industry 66 per cent, oil extracting industry 75 per cent, cigarette industry 52 per cent, flour industry 68 per cent."[23]

The relatively slow rate of growth in agriculture and the consequent shortage of consumer goods had two important implications: First, there was the danger of the 'scissors crisis' being repeated in China. Although, the problem never approached the proportions it had reached in the Soviet Union, the shortage of consumer items was nevertheless likely to create disincentives among the peasantry. In November 1957, Huang K'o wrote in an issue of *Planned Economy* that, even though the volume of commodity supply for the year 1958 was to register an increase over the figure for 1957, it still could not "adequately meet the needs of the increased purchasing power, principally because the commodities suitable for the urban population are increased by a greater margin (the supply of subsidiary food, for instance, will be increased by 10.7 per cent), while the industrial goods needed by the peasants, such as cotton cloth, not only register no increase, but actually show a drop of 9.92 per cent... Cotton cloth in the rural areas constitutes about 14-18 per cent of the purchasing power of the rural population. Thus the decline in the supply of cotton cloth produces very great effects on the purchasing power of the rural population."[24] Moreover, towards the end of the First Plan many agricultural and other products subject to unified purchase entered the market before compulsory deliveries had been completed and commodities to be sold under planned purchase were sold in the market.[25]

Secondly, since agriculture (and the traditional sector in general) was the major source for financing industrialisation, a lagging agricultural sector would reduce the rate of growth of funds available for accumulation. The available evidence suggests that, as far as State collections are concerned, this did happen in fact. The ratio of collection and purchase by the State to total agricultural output declined from 27.1 per cent in 1955-56 to 25.1 per cent in 1956-57.[26] Moreover, it is likely, that another important source of State funds — *viz*, the profits of the State trading and marketing organisations — was also affected as a consequence of the shortage of consumer goods and the fact many goods having begun to reach the free market.

But even though they recognised that agricultural stagnation was indeed the major problem, as late as in December 1957, the Chinese Communists were still not prepared to increase the funds for investment in this sector to any significant extent. In an important article on the distribution of the national income, Yang Po wrote about the "ratio between accu-

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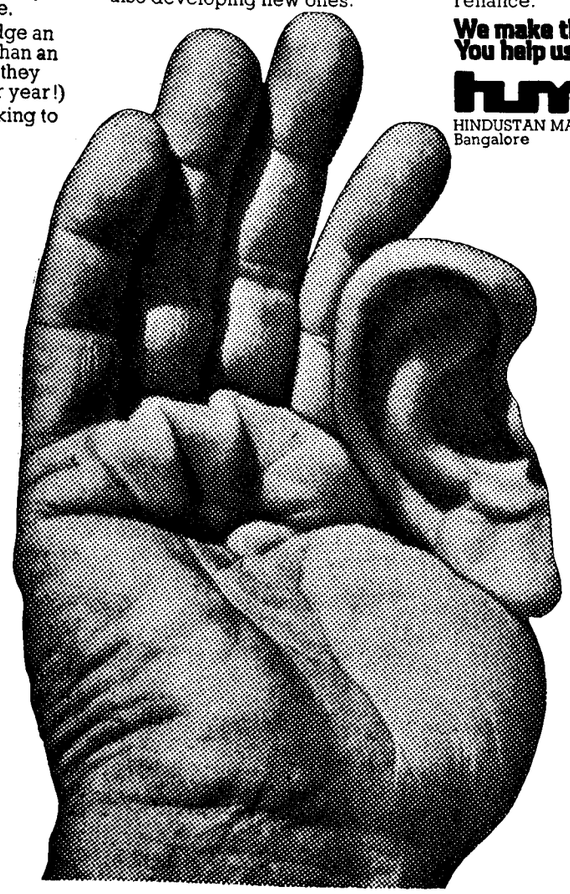
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TABLE D: DISTRIBUTION OF NATIONAL INCOME

(in percentage)

	1952	1953	1954	1955	1956
Consumption funds	81.8	78.6	77.7	79.1	77.5
Accumulation funds	18.2	21.4	22.3	20.9	22.5[27]

mulation (reserves) and consumption (expenditure) in the disbursement of the National Income". He felt that the ratio in the past, so far, was basically correct (Table D). Nonetheless, he also believed that the improvement in the standard of living of the masses had been basically restricted by the shortfall in the production of consumer goods (i e, 'the material form of consumption funds').

> In other words, if there can be an adequate supply of raw materials in the shape of agricultural products, the output of consumption goods can be greatly increased. Under such conditions, even if the accumulation rate in the disbursement of the national income is lowered and the percentage of consumption funds raised, the consumption level in the livelihood of the people can hardly be elevated.[28]

The implication is clear: the immediate needs of the people can be satisfied independently of affecting the rate of accumulation, i e, the rate of growth of heavy industry. This is one of the main assumptions underlying the Great Leap strategy.

There is yet another aspect in the interrelationship between the traditional sector and the modern industry sector which we have not considered earlier. The reallocation of labour, from agriculture to industry, is a significant aspect of agriculture's contribution to industrial growth. This also has the beneficial effect of easing the problem of unemployment and underemployment in the traditional sector in China. However, a situation may arise, where the flow of labour from the rural areas greatly exceeds the capacity of industry to absorb it. This situation can produce certain counter-developmental tendencies, while it does not in any way ease the problem of underemployment in agriculture. Moreover, overpopulation in the countryside could have the serious consequence of obstructing the mechanisation of agriculture thus permanently keeping down the level of labour productivity in agriculture. Thus, agriculture, in China is afflicted with yet another problem.

Throughout the First Plan period, the migration of the rural population to the cities had reached such alarming proportions that the authorities were beginning to feel genuinely concerned about it. During the entire period, 8,000,000 rural people had migrated to the cities,[29] and even in 1958 (though mainly in the earlier part) there was a phenomenal increase — estimated at 15.6 million — in the urban population, of which over 10 million is estimated to have resulted from migration.[30]

The factor primarily responsible for this massive influx is the income and general standard of living differential between the peasants and the industrial workers. And the event which contributed most to this influx was the wage reform (among industrial workers) in 1956, aimed at improving the general wage level by 14.5 per cent. The wage point system was abolished; a piece work system provided for 80 per cent of the worker's wages to be fixed and the remaining 20 per cent to be tied to norms — so that this part could rise or fall according to their performance. Bonuses were also introduced for innovation, overtime, and hardship.[31] The resultant improvement in the workers' situation attracted flocks of the poorer rural population — much beyond what urban industry could absorb.

The policy for dealing with the urban unemployed, from 1957 onwards, was to reverse the migration to the towns by the 'sending down' movement.[32] But, of course, this policy was not going to solve the problem of unemployment in agriculture. An alternative solution was required, and the Chinese Communists decided to utilise the surplus manpower as as a kind of investment for development of agriculture. This was aimed to kill three birds with one stone — lagging agriculture, surplus labour, and shortage of investible funds.

Strategy of the Great Leap

Thus, in all essential respects, the First Plan followed the Stalinist model of industrialisation: High rates of savings and investment institutionalised through agricultural collectivisation; heavy emphasis on the capital-goods industry; reliance on large-scale and capital-intensive technology in industry. This is a model which inevitably tends to produce rapid industrial expansion at the expense of agricultural productivity, and consequently, of rural standards of living. The weak link in the entire economy was the fact of agricultural stagnation; and, unless agricultural output could be raised, the rate of growth of industrial capacity would be limited.

The new strategy did not envisage any radical change in the direction of priorities. The "simultaneous development of industry and agriculture based on preferential development of heavy industry" was still the guiding principle.[33] However, the fundamental aim was to break the agricultural stagnation — but without diverting any resources from heavy industry to agriculture. A corollary to this principle was that all the other sectors of the economy would have to avoid competing for resources with the 'key' capital goods industries. Agricultural production was expected to rise without utilising the resources which were required by the 'key sector'. This is not to say that mechanisation of agriculture was not desired. On the contrary, Mao himself, argues for it:

> ... if we cannot advance from small-scale farming that uses farm tools drawn by animal power to large-scale farming that uses machinery ... our socialist industrialisation will run into immense difficulties and it will be impossible for us to complete socialist industrialisation.[34]

However, the need for mechanisation of agriculture in the context of the Great Leap strategy raises two problems: first, mechanisation of agriculture would involve diverting resources from industry to serve the immediate needs of agriculture. Clearly, this militates against the first principle of the strategy which we have outlined above. The Maoist solution to the problem is to be found in the development of small-scale industries that will be discussed later in this section. Secondly, in an economy where the rural sector is overpopulated and where the modern industrial sector cannot absorb any of the surplus labour, it seems axiomatic that mechanisation of agriculture will lead to further unemployment. The Maoists believe that the displaced labour can be absorbed by a diversification of rural economy and by converting labour into 'a kind of investment':

> ... the labour of the broad masses itself is a kind of investment ... During the socialist construction of the national economy, however, a tremendous portion of our wealth is not expressed in monetary terms, but is the invest-

ment made in terms of labour or the free labour consciously or voluntarily rendered by the hundreds of million people. What we should give particular attention to is the infinite ardour and creative force of the working people in new China. Such colossal material forces may be compared to the 'sea water which cannot be measured by quarts'.[35]

A novel aspect of the new strategy, therefore, involved the mass mobilisation of the unemployed or under-employed labour on an unprecedented scale. This labour was to be used at the local level for three purposes: to work on labour intensive investment projects, like irrigation, flood control, and land reclamation schemes; to raise unit yields in agriculture through closer planting, more careful weeding, etc; and to develop and expand small-scale industry rapidly.

It was hoped that, through the diversification of the rural economy and the investment of labour, increases in farm production could be achieved which would then be converted into rising industrial investment and provide adequate supplies of consumer items. Evidently, such a goal could not be accomplished unless rural consumption was kept in check, for increased consumption would dissipate the increase in farm output. Hence, there was a fundamental economic necessity to 'revolutionise' the attitudes of the peasantry towards the construction of socialism.†

As we have said earlier, one of the basis principles of the new strategy was that all the sectors of the economy would have to eschew competing for resources with the capital-goods industry. The development of local, small-scale industry†† can only be viewed in this context. The functions of local, small-scale industries were two-fold: they themselves must contribute to an increase in industrial production without utilising any of the resources required by the strategic sector; and secondly, they must serve agriculture so that agriculture need not draw on the scarce capital resources.

Our encapsulation of the dual function of local small-scale industry fits in with Carl Riskin's[36] analysis of the same: the principle that local industry should adopt small-scale, relatively labour-intensive, techniques (which utilise factors of production not required by the centrally controlled large scale sector), he classifies under the 'choice of technique' function; the principle that it concentrate upon production of rural producer and consumer goods, he calls its 'sectoral allocation' function.

With regard to this second principle, we can say that the primary task of local, small-scale industry was to carry out the industrialisation of agriculture — i e, the mechanisation and electrification of agriculture. It was held that "the appearance of innumerable local factories and mines will impel agriculture forward, providing it with tools and machines, chemical fertilisers, irrigation pumps, and electric power".[37] But apart from serving agriculture, the small industries were to perform two other subsidiary functions which too can be classified under the 'sectoral allocation' principle. First, these industries were expected to serve the nation's large industries also. "In raw materials areas simple factories may be set up to manufacture semi-finished products which can then be shipped to large factories for reprocessing".[38] But this role of theirs as ancillary industries, was clearly a secondary function. Secondly, they additionally constituted "an indispensable factor in increasing accumulation of funds in supporting and assisting construction of big priority projects".[39]

The 'choice of techniques' strategy during the Great Leap Forward, was essentially a part of the industrial policy of 'walking on two legs'. This policy emphasised small-scale, labour intensive (often using native and traditional), methods of production within the framework of long-term priority for large-scale and capital intensive techniques. The nature of the approach is summarised thus:

> It is the direction we follow in development to build large-scale enterprises using modern production methods; but at a time when our capital and technical conditions are not yet adequate, the development of small-scale enterprises using native production methods is the goal of our major efforts for a certain period of time and in given places.[40]

The advantages claimed for the small-scale, labour intensive, methods of production can thus be listed as follows:

(a) The ability to utilise dispersed deposits of material resources (thus also reducing transport bottlenecks).

(b) The development of 'backward' areas by bringing industry to them, and the creation of an 'industrial consciousness'.

(c) The reduction of the construction and 'gestation' period of investment, because of the small scale.

(d) The ability to undertake repairing, maintenance and processing activity, freeing large-scale capacity for jobs which the modern sector alone could do.

(e) And finally, use of available labour to achieve low capital intensity.

Consistent with the principle that local industry would not utilise the resources material inputs and equipment needed by the 'strategic sector', it was intended that local industry rely on waste, scrap, surplus, and other types of materials, without any opportunity cost. A similar policy held regarding labour inputs; for, as we have seen, a motivating principle behind the Great Leap Forward, was effective employment of the underemployed masses.

But, though local industry did not require large amounts of capital, they, obviously required some funds. Where were these funds expected from? Apparently, not very much attention was paid to this question at the time when the authorities were framing the policies. Chang Pei, writing in April 1958, dismissed the matter in a few sentences:

> Funds will come from local government revenue, capital accumulation (ploughed back profits from the industries), and the accumulation of agricultural and handicraftsmen's co-operatives. Local bonds may be issued when needed. As things look now capital will not be a snag. Once the signal was given to go ahead on local factories, many places managed to find large sums in short order.[41]

On this question, Riskin correctly points out that, the fact that local industries had their origins in previously existing activities reveals that redistribution or 'primitive socialist accumulation' was the principal capital resource base of local industries. But, because of the extremely low per capita income of the rural population, and the fact that:

> Industry was extracting decreasing, and possibly even negative, amounts of resources from agriculture... [these industries] found the only remaining source for redistribution in factors of production previously bypassed because their current employment was deemed too valuable to interrupt: resources employed in handicraft and petty industrial production of every consumer goods and utensils, agricultural tools and implements, special local arts and crafts with export significance, and in agricultural production itself.[42]

There is no doubt that these resources were an important source for financing local industry. But a low per capita income and declining state revenues from agriculture is not incompatible with the existence of surpluses in the hands of innumerable individuals, provided there exists a private sector in the economy. There is hardly any doubt that, even after collectivisation in 1956, a private sector did exist in the countryside which yielded fairly substantial incomes to some individuals. Income from this private sector as studied by Kenneth Walker,[43] includes income from the private plots, from horticulture, and from private livestock rearing. The percentage of the peasantry's income from this source (to its total income) ranged from 9 per cent in 1956 to 60 per cent in 1957. Comparing these figures with the needs of the peasantry, "it appears that the income from the private sector could very easily be the decisive factor in the standard of living."[45]

What is the relationship betwen the peasant class and income from the private sector? In 1955, Mao himself observed:

> Everyone has noticed in recent years that new rich peasants have sprung up everywhere.... On the other hand, many poor peasants lacking sufficient means of production, are still living in poverty.... If this tendency goes unchecked, the bipolar differentiation in the countryside will get worse day by day.[46]

Even after collectivisation in 1957, Walker, basing himself on a study of Fukien province, reveals that the poor peasants were heavily dependent on the collective for income, but "the higher peasant classes in Fukien, by owning most of those income earning assets still allowed to be privately owned, were so independent of the collective for income that the collective economy's existence was threatened by their non-co-operation."[47]

Therefore, it is likely that surpluses in the form of savings existed in the hands of rich and middle peasants, joint State-private traders, and so on, and these the central government had so far failed to mobilise. Together, these savings probably constituted a large and potentially investible sum. It was hoped, in 1958, that the communes would prove useful and compliant instruments in mobilising and extracting rural savings which would finance the industrialisation of the traditional sector.

Finally, I would like to comment very briefly on two more aspects of the Great Leap Forward, which are fundamentally linked to its economic strategy: decentralisation and communes. The decentralisation of economic authority actually preceded the Leap Forward; nevertheless, it had the effect of reinforcing the central ideas of the new strategy. For instance, local, small-scale industry could hardly function if it were subject to centralised economic authority for every decision. Greater freedom in decision-making at the local level therefore became an essential prerequisite of the new strategy. Economically, the introduction of the communes is to be seen as the beginning in a series of experiments aimed to discover the optimal size of unit for administering and controlling the numerous economic functions necessitated by the Great Leap strategy.

The Theoretical Sanction

In this section, we will try to examine the theoretical context in which the idea of the Great Leap was developed. The Great Leap Forward is to be seen as a 'package resolution programme' of the contradictions that existed in Chinese society. Their comprehensive resolution was sought to be effected in a *single* stroke — in the form of a leap from one phase to another. This is an idea which derives from Mao's theory of Permanent Revolution,[48] a theory which was formulated at the time of (or just before) the Leap Forward, and which in fact, constituted the philosophy underlying the 'leap'.

The central idea of this theory is that development consists of a series of uninterrupted revolutions, and that these revolutions continue even during the period of socialism.[49] A leap is no more than a break from quantitative changes to a qualitative one — the Marxist notion of revolutionary change.

> The struggle (not a class struggle, but between advanced and backward elements) during the transition from socialism to communism will also be a revolution. In the Communist era there will be many, many phases of development. The development from one phase to another must necessarily be a relationship between quantitative and qualitative changes. All mutations, all leaps forward are revolutions which must pass through struggles.[50]

By 1956, the Socialist revolution in the ownership of the means of production was basically completed, and then came the socialist revolution on the ideological and political fronts which, however, had not been completed at the time of the Great Leap and would "continue to be solved by annual bloom-contend-rectify-reform campaigns". "But now we must start a technological revolution so that we may overtake Britain in fifteen or more years".[51] The revolution was aimed at building socialism "more, faster, better and more economically". During the period of 15 years or so, it was maintained, Chinese steel production could be increased to 40 million from its 5 million tons. Electric power could be boosted more than ten-fold, while agricultural progress necessary to match these industrial advances could be attained in eight years.[52]

There is hardly any doubt that there was opposition at the top level to the Great Leap. But as Schram points out, it was "not simply the rapid pace of economic development set at the time of the Great Leap Forward which led to Mao's rupture with Liu and the others."[53] The crux of the matter was the underlying philosophy, which was to lend to the Great Leap Forward in the economic context its distinctive spirit and pattern of development.

For Mao, the course of a revolution cannot be laid down in all its details, beforehand. In January 1958, Mao said, "There is no pattern for straw sandals, they take shape as you work on them".[54] Broadly, the goals are known, but their real meaning and the path for reaching them can only be discovered in the field. It is in this sense that Franz Schurmann has called the Great Leap Forward the product of a 'vision', and not a plan as ordinarily understood. This view finds its justification in the idea that 'disequilibrium' or 'imbalance' in the economy is 'a universal objective law'.

> Things forever proceed from disequilibrium to equilibrium and from equilibrium to disequilibrium in endless cycles. It will be forever like this, but each cycle reaches a higher level. Disequilibrium is constant and absolute, equilibrium is temporary and relative.[55]

In concrete terms, this idea implied negation of balance in the relationships between local and national planning and recognised it as an effective principle governing economic development. Decentralisation (which was an essential part of the Great Leap Strategy) in the context of the Great Leap, was inversely correlated to co-ordination,

† The various mass campaigns and organisational changes that occurred during the Great Leap will be the subject of a later section. Here it will suffice to say that while there was a definite link between the campaigns and the economic strategy, it would be facile to reduce the attitudinal changes among the masses to a simple economic policy. The Cultural Revolution, for instance, witnessed similar politico-organisational changes, but it can hardly be said that these changes accompanied any major economic changes — change in economic strategy.

†† It is necessary to clarify what local, small-scale industry meant in China in 1958. It included heavy industries, but not industries requiring large capital outlays and defence industries which remained under central control and ownership even after the decentralisation of 1957-58. This group of centrally controlled industries we shall call the 'strategic' or 'key sector'.



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and the consequent lack of co-ordination was justified thus:

> Planned targets are constantly in a state of flux consequent on the boosting of the activism of the masses.... The overlapping of planning and reshuffling of targets often shatter the balanced relationships in the national economy and give rise to a new imbalance. If we realise that imbalance is normal, and moreover is a motive force to bolster the further development of the national economy, then we can dismiss the idea that the decentralisation of management would render it difficult to bring about a comprehensive balance.[56]

During the first few months of 1958, there was a large advance in production, which was unplanned and unexpected and was "the result of unleashing local initiative under decentralisation".[57] How was this 'great leap' achieved? Under the old system, Choh-ming Li explains, the central authority used to determine, according to the principle of balance, one single set of national targets which the provinces, together, were expected to reach or over-reach during that year. With the Great Leap and decentralisation, there was a change in the planning system. Under the new system, called the 'system of planning with two accounts', two sets of production targets were to be used instead of one — at every level of government. There were to be two with the centre, one of which was the public plan and had to be fulfilled, and the other was expected to be fulfilled but not made public. This second set represented what each province after internal discussion was reasonably sure to reach and had to guarantee. Again, like the second set of targets, each provincial government also had its own second set of targets which the cities and the 'hsiens' felt confident they could achieve; and so on until the village level. As a result, a national quota would become bigger and bigger in the successively lower levels of the local government. "And when the national quota itself continued to be revised upwards in time with the glowing reports from the field, local targets had to be raised, *pari passu*, which, in turn, would induce a further upward revision of the national goal. Thus, the nature of the planning mechanism inevitably generated a great leap — in targets."[58] Obviously, this could not go on for very long.

From the outset, the theory of disequilibrium was inextricably associated with the involvement of the masses. Their role was counterposed to that of the managers and planners (who had no role now); and it was only by unleashing their creativity and initiative that the 'leap' in production would be achieved. The role of the masses is constantly invoked in the writings of this period.

> Objective reality constantly shows us that the initiative and creativity of the masses, and the new-born forces, collide with the old things every minute and every hour, challenging the old quotas, the old targets, the old regulations and institutions... in this context, the old equilibrium will certainly be broken and disequilibrium is bound to appear.[59]

The Great Leap Forward in Operation

Decentralisation and the Communes

The Great Leap Forward was closely associated with the process of administrative reorganisation which began in the winter of 1957 and which culminated in the establishment of the people's communes in September 1958. The new regulations on industrial control published in November 1957 recommended greater decentralisation and more autonomy to the lower echelons of administrative authority.[60] Clearly, over-centralisation in the management of industrial and commercial enterprises had led to complications and inefficiencies. In the past, the various industrial ministries had kept a tight hold over the operation of the enterprises under them. For example, their permission had to be obtained by any concern which wished to acquire fixed property worth more than 200 Yuan, i e, £ 30.[61]

By the middle of 1958, the entire organisation of economic planning, taxation, industry and trade was overhauled and the powers of the local authorities — provinces, municipalities, *hsiens* and *hsiangs* — were strengthened. In mid-1958, it was announced that 80 per cent of the enterprises formerly handled by the central ministries had been handed over to the local authorities. These included virtually all the light industrial enterprises and a large proportion of those under the Ministry of Heavy Industry.

Together with a degree of flexibility in their levying, local authorities now received the proceeds of certain taxes which had previously gone to the central government. They also received a share in the revenue of certain industrial concerns which had previously been under the central government. In return, the local authorities were expected to meet their normal expenditures themselves.[62] Further, in June 1958, the power to issue bonds was transferred entirely to local authorities which were to use them to raise capital for their industrial development. Finally, in July 1958, further measures were taken authorising the local enterprises to retain without reference to the central government,[63] for development purposes, the surplus profits obtained from the sale of their products and to make other readjustments in programmes of capital development already authorised.

Decentralisation occurred in agricultural planning as well. Instead of drawing up a complete agricultural production plan according to which agriculture was to develop, the State planning authorities in the locality now had only a 'farm produce collection and purchase plan'. Local units now also had relatively greater autonomy than before in directing the course of agricultural development.[64]

It is important to remember that the devolution of authority strengthened the powers of the local administration and of the party units within whose jurisdiction the enterprises now came — rather than of the enterprise itself. This is very significant; the considerations influencing the decision in favour of the former type of effect were political and ideological rather than economic. As such, the full implications of this decision will be discussed in the subsequent section. Here, suffice it to say that, during the Great Leap Forward the party, with its recently increased powers, almost completely replaced the managers and experts in all spheres of economic activity. In fact, planning, management, and technical knowledge, were functions which were now considered highly dispensable, and were to be replaced by the "spontaneous initiative and the creativity of the masses" — the role of the party cadre was to release and guide this "spontaneous initiative". Their particular role, however, can only be appreciated in the context of the pressure on them to increase production as much as possible. As we have seen, this drive to increase production was sanctioned by the Maoist theory of 'disequilibrium', and made possible by the system of competitive target raising. The consequent loss of all real statistical knowledge contributed even more to the autonomy of the local cadre *vis-a-vis* the centre; the illusion of high output figures made the central authorities quite complacent about the direction in which the Great Leap Forward was moving. The substitution of expertise

and management by the politics of party leadership and the 'mass line' is seen to be a major underlying theme.

In retrospect, it seems that the decentralisation measures served merely as a preparatory stage for the final establishment of the communes; for, a strong multi-purpose local unit fitted in very well with the pattern of administrative decentralisation. The communes, however, combined their economic powers with political and administrative authority; they were to be "both basic economic units and basic units of State power".[65]

The people's communes were to be multi-purpose units for the management of agricultural, industrial, commercial and military affairs. They were to achieve this multi-purpose nature by absorbing or amalgamating the basic level organisations operating in the countryside: the agricultural producers' co-operatives, the co-operatives for supply and marketing, credit, and handicrafts, and the local branches of the People's Bank.[66]

The communes were also expected to represent a new phase in the progress towards communism. They were, in fact, the 'sprouts of communism'; for, the transformation from 'collective ownership' to 'ownership by the whole people' had begun. Partial introduction of the communist principle of distribution — from each according to his ability, to each according to his need — by which part of the income of the commune members was to be in the form of free supplies distributed on the basis of need rather than work, and drastic reduction in the private property among the peasantry, both reinforced this notion.

The organisational structure of the communes was based on the principle of "unified management and divided control". There was to be a congress of commune members which was to be a fully representative body, and this congress would elect an administrative committee under which various subsidiary committees would look after the various functions of the commune. Under the leadership of the administrative committee of each people's commune, there were various departments: agriculture, water conservation, industry, communications, and so on. Here again all responsible officials of the commune — the director, the deputy director, the departmental heads of the administrative committees — were generally party members.[67]

The commune was also divided vertically for purposes of management. Generally, a commune was divided into certain production areas, each one corresponding roughly to the size of the previous co-operative. These areas were entrusted to production brigades which were further subdivided into several production teams — each one corresponding roughly to a village. Though the brigade was responsible for the management of the production area entrusted to it, in fact, the central commune administration fixed the yearly and quarterly production targets and other tasks for each of the brigades. Although in the actual organisation of production and in the actual utilisation of labour and other means of production, the brigade was theoretically allowed a certain degree of flexibility, the commune administration maintained a strict supervision over its work. Reports of excessive centralisation within the commune revealed that it was because control over a few activities was centralised (as on large-scale labour projects) that it became difficult to prevent gravitation of all other decision-making powers to the centre.[68] Gradually, however, as it became increasingly evident that the methods of production in Chinese agriculture necessitated management by small units, the brigades and later the teams were given more and more autonomy.

What were the relations between the communes and the State? Apparently, the State seemed to have snapped all links with the commune. Apart from having to pay the required taxes, the commune maintained only ideological links with the State — through the institution of the party. However, the communes were not completely autarkic, and a good deal of trade went on both among the communes and between the commune and the State.[69] Prices of commodities exchanged played an important role in the economics of the period but here we shall study the nature of this financial relationship.

The State preserved the right to price all commodities exchanged between the State and the communes, all commodities exchanged among communes, and all products distributed and commodities supplied within the communes. On the question of what prices the State should charge for the manufactured goods which it supplied to the communes, it was decided that wholesale prices should be charged. The decision was somewhat inexplicable, for, in the same article it was observed that, "the production costs of manufactured goods of the people's communes will be higher than that of manufactured goods made by the State-owned factories."[70] In our study of the commune industries, we shall see how this policy decision sabotaged the very first principle of the sectoral allocation function of commune industry — the principle that it serve agriculture. Initially, the pricing of commodities exchanged among communes was left to the communes themselves. By December 1958, it had become apparent that the free fixing of prices by both the parties would lead to the revival of "the capitalist way of business which signifies blind production regardless of plans".[71] For this reason, it was decided that the prices of commodities exchanged among the communes would be subjected to the unified price policy of the State. Evidently, 'departmentalism' — that is, party cadres in a commune thinking only of the 'narrow interests' of their own commune[72] — could not be overcome only by ideological controls.

The chief source of investment for the commune[73] was the public accumulation, or reserve fund, of the commune; the welfare fund in the commune budget was used for welfare purposes. During the Great Leap Forward, targets for savings, like all other targets were raised to exaggerated levels. For example, in Hupeh it was recommended that accumulation should account for between 40-70 per cent of total income; this corresponded to marginal rates of saving of between 40-90 per cent of the expected rise in income in 1958 over the previous year. Such rates were clearly unreasonable, and the agricultural crisis of the following years soon forced a reappraisal.[74]

One of the innovations of the commune movement was the supply of free meals in the collective mess halls.[75] Though collective feeding was designed to promote the spirit of collective and communal living, it also played the important role of freeing women for collective work in the fields, even as the men were involved in the variegated activities of the diversified rural economy. Moreover, it now became easier to enforce rationing and save fuel, and harder for the peasants to hoard grain. Nurseries and creches were also established, in order to foster the habits of communal living and to free women for labour outside their homes.

One of the most widely publicised activities of the communes was the construction of irrigation and water conservation projects. The purpose of these constructions was to substitute capital equipment and technical expertise by the unskilled labour of the peasant masses. The new communes became the instrument for effecting this transfer of peasant labour to the water conservancy works. Even before the end of 1958, great claims were made regarding the construction of these projects. In October 1958, the Ministry of Agriculture issued its communique stating that,

> A total of 480 million *mou* was added to China's irrigated land area between October 1957 and the end of September 1958.[76]

The major objective of these efforts was to protect Chinese agriculture from abnormal weather conditions, to eliminate by this single stroke the root cause of economic instability. From this point of view, the campaign was a limited success. Lack of expertise coupled with overenthusiasm of the cadres had led to much waste. This was officially acknowledged by none other Chou En-lai in his report to the Second National People's Congress in August 1959, when he stated that only 33.3 million hectares of farm-land could be properly irrigated (as against the 1959 claim of 71.3 million hectares). Another 13.32 million hectares could benefit from irrigation, if adequate levelling of fields and digging of ditches were carried out.[77] Apparently, much of the reservoir construction work was destructive of the soil, the regular functioning of rivers, and of existing irrigation systems. The reason was that the upsurge in water conservation had not been based on geological surveying, technical back-up, and consistent planning. The hasty and uninformed building of dams, pools, ponds, reservoirs, and canals, resulted in alkalisation of the soil over a wide area. Nevertheless, at the end of the operations, there was an increase in the acreage of land brought under cultivation beyond the pre-1958 level.

According to official reports, 1958 witnessed a phenomenal increase in agricultural output:

> Total grain output is estimated to be about 750 billion catties, about 380 billion catties over 1957's billion catties. Total cotton output is estimated to be about 67 million piculs, about 34 million piculs over 1957's 32.8 million piculs.[78]

Moreover, it was claimed that these increases were more due to a boost in the output per unit area than an expansion in acreage. Although the claims were later revealed to be highly exaggerated,[79] favourable weather conditions combined with the tremendous effort at intensive cultivation — neatly summarised in the 'Eight-word Constitution': water conservancy, fertilisers, deep ploughing, superior seeds, close planting, crop protection and field management — did lead to an unprecedented increase in output. However, in 1958, for the first time, there was a marked difference between the biological yield and the barn yield. A portion of the yield could not be harvested because of the diversion of labour to work on rural industries and other non-agricultural operations. In March 1959, it was admitted that "the labour-power available for the increased agricultural production is estimated at only half the estimated requirements".[80] However, the solution envisaged did not as yet involve the redirection of labour into agriculture, but urged the cadres to increase the productivity of the existing labour in the fields. The target was to save labour-time through innovation of tools so as to make up for 50 per cent of the shortage of agricultural labour power.

Secondly, it was maintained that by strengthening labour management and improving labour organisation, "a successful way of developing labour initiative, tapping latent labour-power, and raising labour efficiency"[81] could be discovered. It was estimated that this method would "save labour-time sufficient to make up 30 per cent of the shortage of labour-power". It was not until late 1959 and 1960, when China was faced with an agricultural crisis, that labour was redirected into agricultural activities. However, the assumption in the two passages quoted above, that 30 per cent of the shortage of labour-power could be made up by increasing labour efficiency reveals a crucial fact about the Great Leap Forward. It is that labour-power was not fully utilised. Why this was so will involve a discussion of the incentive system of the Great Leap Forward.[82]

Incentive Policy

While it cannot be said with any certainty that there was a decline in the productivity of labour in agriculture and industry in 1958 (though this was almost certainly so in 1959 and 1960),[83] the fact that labour could not be fully utilised can be traced to the incentive policy of the Great Leap Forward. This policy was, in turn, tied up with the final object of the new strategy — which was to channel the increases in production for rapid capital formation into the modern sector rather than allow them to be dissipated by increases in consumption. To achieve these ends, the incentive system of the period combined a system of non-material incentives with a set of policies which kept incomes relatively low and had a tendency of level them off.

The system of remuneration in the communes was, basically, the time-wage system rather than the piece-rate system of the earlier period. Under the time-wage system, each worker was assessed for skill and 'attitude' to labour and then assigned to a particular grade. For each day's work there was a specific number of work points ranging from 4 to 10 points. "In other words, the lowest grade farmer receives 4 points and the highest grade 10 points for performing a ten-hour day's work, regardless of quantity of output".[84]

The dissociation of reward from effort was not bound to create disincentives by itself, for the 'attitude' of the worker (or peasant) was itself determined by his commitment to increase his effort. Moreover, whatever the method of payment, the crucial factor was the actual value of the unit of payment. This would depend on several factors determining the total amount of money (and supplies) available for distribution among commune members.

The total gross income of the commune was dispensed as follows: First, certain cost deductions were made, such as costs of production and management, seeds, reserves, etc. Then, taxes and compulsory deliveries which the communes made to the State were deducted. The net income left, after these deductions, was then available for distribution. One portion went to the 'accumulation fund' for the commune's own investment; another went to the welfare fund for members' social insurance, and other needs. Yet another portion, the supply part of wages, had already been used up throughout the period to meet the members' basic food requirements.[85] The residual income was what was paid out in cash or kind according to the differential claims of individual members.

Clearly then, one or more of the various claimants to a share in the commune's income were primarily responsible for keeping peasant motivation at a low key. Direct taxes imposed by the government on the communes were not very high during the Leap Forward: In fact, national agricultural taxes declined from a high of approximately 25 per cent of national total taxes to 16 per cent in 1959. For 1960,

Twenty seven years of Independence



Twenty years of significant service

Born in 1954, Hindustan Steel Limited was perhaps the largest and the boldest venture of Free India. We believe we have made some contribution to our coming of age as an industrial nation; we have helped to develop our material and human resources, our self-confidence and self-reliance.

GROWING INDUSTRIES

To India's growing industries, as on March 31 1974, the Bhilai, Rourkela and Durgapur Steel plants of Hindustan Steel have supplied over 12.8 million tonnes of pig iron, one million tonnes of ingots, 7.3 million tonnes of semis, and over 22 million tonnes of finished steel.

We have also supplied about 5.6 million tonnes of coke, a million tonnes of coal chemicals, and 5.3 million tonnes of miscellaneous by-products that include middlings, slags, dolomite, etc.

To the agricultural industry we have so far supplied over 1.8 million tonnes of calcium ammonium nitrate and 550,000 tonnes of ammonium sulphate—fertilizers, manufactured from by-products vital to improving India's agricultural yields. Besides, we have ensured a steady supply of steel for irrigation projects, construction of dams, deep tubewells, silos, farm equipment and other agricultural uses.

The total sales value of all these materials amounts to approximately Rs 3594 crores excluding exports.

The approximate break-up of finished steel despatches from the public sector plants as on March 31 1974 is as follows

	Quantity in million tonnes	Percentage of total despatches
A. Defence	0.88	3
Railways	4 50	20
Other Government departments	4.94	22.5
Total (A)	10.32	45.5
B Industries	6.97	32
C Stockists, including HSL stockyards	4.95	22.5
Total	22.24	100

The Alloy Steels Plant has supplied 20.6 thousand tonnes of ingots, and 188.2 thousand tonnes of finished tool, alloy and special steels valued at Rs 88 crores to the country's sophisticated industries such as automation, aviation, atomic energy, ordnance factories, machine tool industries, etc.

Between October 1970 and March, 1974 Hindustan Steel has imported a little over 2 million tonnes of steel to meet the urgent needs of priority industries.

To ensure a steady supply of vital inputs like coke, iron ore, limestone, etc for its plants, Hindustan Steel has developed its own captive mines, quarries and washeries, which have produced millions of tonnes of the materials required.

DISTRIBUTION

A Central Sales Organisation, backed by a network of 20 stockyards throughout the country, has been set up to ensure prompt delivery and equitable distribution at reasonable prices. The total sales turnover since inception, including exports, has been Rs 3886 crores.

Since the Bokaro Steel Plant went into operation in October 1972, over half a million tonnes of pig iron valued at Rs 31.5 crores, have also been supplied through our Central Sales Organisation to meet the country's demand.

FOREIGN EXCHANGE EARNINGS

Hindustan Steel entered the export market with pig iron and semis in 1959; subsequently stepped up its exports to cover a wide range of products particularly when there was a decline in the domestic demand for steel. So far over 6 million tonnes of pig iron, ingots, semis, finished steel products and coal chemicals have been exported to over 40 countries in six continents against international competition, earning nearly Rs 241 crores (FOB) worth of valuable foreign exchange for the country. Since commissioning of its first blast furnace, Bokaro Steel has exported through Hindustan Steel, pig iron valued at Rs 11 crores (FOB).

MANPOWER DEVELOPMENT

Hindustan Steel has directly employed and developed a new generation of over 130,000 industrial workers and managers and generated new skills and technological disciplines which are a basic necessity for the sustained growth of any modern steel industry.

CONSULTANCY SERVICES

The realisation that the development of an indigenous consultancy, design and engineering service was imperative to Indian Steel led Hindustan Steel to establish in 1959 its Central Engineering and Design Bureau. It is now an independent Company: "Metallurgical and Engineering Consultants (India) Limited" (MECON)

MODERN TECHNOLOGY

Our plants incorporate the latest developments in steel like the LD Process, sintering, etc. Other technological innovations to increase steel productivity and conserve scarce raw materials are being taken in hand. Some of these are: high top pressure, auxiliary fuel injection, oxygen lancing, slag granulation, pelletization, beneficiation of iron ore, etc. A nucleus of Research and Development has been formed.

In keeping with market demand, product diversification and rationalising of various sections have been initiated. We have introduced in the market cold rolled galvanized sheets, plain galvanized sheets in coils, electrolytic tinplates, heavy rails to Indian and international specifications, etc.

FINANCIAL POSITION

This is the financial position of Hindustan Steel Limited as of March 31, 1974:

	Rs.(in crores)
Total income	4284
Less: Excise duty and Freight outward	289 544
Net income	3451
Total expenses	2896
Leaving Cash surplus	555
Stock of finished and semi-finished products	151
Total surplus	706
Out of this, Government dues on interest	269
We are left with	437
But had to account for depreciation	683
	(—) 246

In the year 1973-74, we have made a profit of Rs 4.71 crores, thus reducing the previous under-provision of depreciation to Rs 246 crores. This represents our accumulated loss so far. From our cash surplus, we met our working capital needs as well as re-invested Rs 118 crores on additions and balancing facilities, and repaid long-term and short-term Government loans to the extent of Rs 170 crores. Our outstanding Government loans are Rs 374 crores.

Currently, our plants have to provide annually depreciation of about Rs 69 crores and interest charges of about Rs 24 crores, that is a total of Rs 93 crores. Cost escalation of inputs last year was estimated at Rs 38 crores. Excise duty paid in 1973-74 was Rs 101 crores, as against Rs 96 crores paid in the previous year, and yet, significantly, the per tonne steel price in India is way below world steel prices.

WHERE WE STAND TODAY

Today, Hindustan Steel Limited is 20. Young yet mature. To get where we are, we have had to struggle hard and overcome many obstacles including our own inexperience. Harder struggle lies ahead because as our production increases, the infrastructural imbalances—raw materials, transporation, power—come in the way. But we are confident of our progress.

It is the vitality of youth and the faith in our future that have helped us along, even as it has helped along our nation. As we take stock and look to the future, we steel ourselves for greater efforts. With the formation of the Steel Authority of India Limited, we feel confident of more efficient, more productive service to India.

HINDUSTAN STEEL

HSL 8069

it was planned that they would decline to 13.5 per cent.[86] However, Sidney Klein insists that the estimates for *real* taxes during the Leap Forward were much greater. The implicit taxes included: compulsory sales to the State of the commune's agricultural surpluses at low fixed prices; peasant repurchases of a substantial part of these agricultural surpluses at higher prices; and voluntary deposits by peasants in State-controlled banks which could be withdrawn only with difficulty.[87]

However, Klein's contention, that "the true tax bill of the peasants was at least twice the maximum rate estimated by the CCP, and most probably about three times — which is to say, at least 26 per cent and most probably 40 per cent of total agricultural output",[88] is unsupported by any evidence and remains an entirely impressionistic statement. An increase in the State revenues from the agricultural sector was, indeed, the intention of the Great Leap Forward. But it is unlikely that this was so abnormal as to constitute the most important factor in determining peasant motivation.[89] Government taxes were probably a contributory factor, but since no estimates of the real tax bill are available it is not possible to postulate it as a major one.

What seems more likely to have played this role are the targets for savings — or the accumulation funds within the communes — which, like the other targets, were raised to exaggerated levels. We have already noted the effects of this extraordinarily high rate of savings and the reappraisal which followed. With 40 per cent to 70 per cent of the total income being directed into the accumulation fund in 1958, the amount left for distribution was insubstantial; thus the wage technique did not provide a strong material impetus to the workers.

Also, the lower the value of a work unit, the more attractive will work on side-line activity be. But with the advent of the communes, private plots and private income-earning activities were no longer regarded as an important auxiliary to the socialist agricultural economy, but as a serious contradiction; and these were almost completely abolished — in any case, the the free market where these products were sold had already been closed earlier. It was maintained that "private agricultural activity had grown so much as to constitute a threat to collective agriculture".[90]

Apparently, the drive to communise 'private property' exceeded all limits and as early as in December 1958 the leadership found it necessary to exercise a restraining hand.[91] Overenthusiastic cadres, who had attempted to communise all the livestock and personal belongings of the peasants including clothes, quilts, household utensils and *savings*, were now severely criticised. Cadres were now instructed to define the boundaries between individual and collective agricultural activity. The severity of the injunction was hardly surprising, for the ban on subsidiary agricultural activities had caused considerable economic dislocation. No alternative arrangements had been made for the pursuit of these activities, which not only were a source of additional income but also provided some necessary items of everyday consumption. The shortages which developed, of pigs, poultry, vegetables, straw sandals, coir brooms, baskets, utensils, etc, caused considerable dissatisfaction among the peasantry.[92]

Consequently, the December 1958 resolution of the Central Committee laid down that in the communes all privately owned means of livelihood (i e, houses, clothes and furniture) together with bank and credit co-operative deposits should remain in private ownership in perpetuity. So long as it did not interfere with their collective work, peasants were also permitted to continue their small-scale, domestic side-occupations. But not until the reopening of the rural markets, were the peasants could sell their products, and till the introduction of flexible regulations regarding peasant work-attendance, did the private plots and sideline activities once again become important sources of supplementary income for the peasant or contribute to the recovery of Chinese agriculture.[93]

Non-material or ideological incentives are a distinctive characteristic of the Maoist approach, and their role as a political weapon which seeks to forestall the undermining of socialism will be discussed in the next section. However, they also have a vast potential of increasing output at very low costs, and as such they were indispensable to the ultimate objective of the Great Leap strategy. The efficacy of emulation drives and mass campaigns was obviously determined by the degree of politicisation of the masses. In this context, the role of the party, as the agency which made possible the implementation of these campaigns and 'drives', during the Great Leap assumed central importance. However, other social and political agencies, such as trade unions, youth organisations, and women's groups, were also involved in this effort.

In 1958 and 1959, individual workers were spurred on by a variety of formal and informal rewards, which aimed to raise the self-esteem of the honoured, and by inspiring innumerable others to improve their performance. These rewards included titular honours such as 'model' or 'labour hero', meetings with Chairman Mao and other celebrities, etc. Group competitive incentives were often like those employed to encourage individual output: the success of a unit in surpassing the others was rewarded by a similar variety of honorary awards.[94]

Moreover, mass meetings were held to discuss and review production experiences and concrete programmes for raising labour productivity; to exploit the 'wisdom of the masses' on how to increase output and stimulate innovations; to raise the level of backward units through disseminating the experiences of the advanced units; and to rectify individual work attitudes through criticism and self-criticism. Often, combined with the emulation drive, mass participation was used both on large-scale water conservation projects and on lesser activities.

Commune Industries

The *professional* and political leadership in the local small-scale industries, developed or taken over by the communes, was in the charge of the party leadership in the commune.[95] This leadership was given the responsibility to insure the completion of the tasks of industrial production assigned to them by the federation of the communes, and had to follow the *hsien* plan for distribution of products. It was claimed that, in this way, "the centralised and unified leadership of the *hsien* federation of communes will be insured, and the activism of the basic level communes in operating industrial undertakings will be adequately called into play".[96]

Under the leadership of party committees, commune factories set up factory administrative committees and workers' conferences, which met regularly to check the implementation of plans and to discuss important questions in the factory. The tendency was to eliminate, functionally, the gap between production workers and administrative personnel. Even while this may have been so, the activities of the commune industries were *directed* and *controlled* by the party authorities outside the factories and in the commune itself. Generally, there were two important means through which this control was maintained: the existence of a party unit within the factory — whose powers were immensely strengthened at the expense of the managers and experts during the Leap Forward — provided the ideological channel through which this control was extended and maintained; secondly, the control of commune industrial finances was entirely in the hands of the commune leadership. Commune finance departments allocated production funds to these factories, and the factories were bound to use these funds in accordance with the financial plans of income and expenditure. Except for a definite amount for reserve funds — about 20 per cent — the factories deposited all their funds in the commune credit departments. Also, all transactions between factories had to be done through the supply and marketing departments of the commune.[97]

The party being in power in the commune factories, it might be expected that the goals of the regime would be fulfilled, i e, that the local, small-scale industries would concentrate on serving agriculture — providing it with adequate producer and consumer goods. However, a variety of other factors combined to undermine the *raison d'etre* of commune industry.

In his study, Riskin concludes that only half of the gross production value of the commune industries came from components serving agriculture. "This observation points to an essential property of commune industry from the viewpoint of commune members — it was the major source of income at the commune level. In 1959, it was estimated that 70 per cent of the income from commune-level enterprises in the average commune came from industrial enterprises. Indeed, many of the hortatory articles appearing in the Press at that time strongly emphasised the ability of the communes to earn distributable income by developing industrial enterprises."[98]

Undoubtedly, it was the pressure on cadres to increase the profits of their collective enterprises, which determined the kind of goods to be produced. Commune authorities concentrated their efforts on operating a few industries that were highly profitable; tools and fertilisers needed for agricultural production were often neglected. In a sense, the methods of the Great Leap Forward had defeated the objective of its economic strategy: The pressure to increase profits, through the agency of competitive target raising, had made cadres blind to the direction of production. Loss of statistical control with the centre, moreover, prevented early governmental intervention in this process. At the same time, the financial autonomy of the communes gave them enough leeway to choose the most profitable line of investment. Such a choice would not have been contradictory to the policy of 'serving agriculture', had it not been for the fact that the non-commune industries undersold the commune industries in just those commodities which they were expected to provide to the rural sector.[99]

The tendency of the commune industries to concentrate on the production of the most profitable commodity — in violation of the general policy prescription — also led to neglect of consumer goods production. In 1959, Chao Hua-ling wrote that, even though light industry developed at a rapid rate during 1958, nevertheless, "because of the phenomenal increase in agricultural and raw material output, the existing capacity of light industry was not able to cope with the increased supply".[100] The increased supply was not, however, the only reason for the shortfall in the supply of consumer goods. 'Departmentalism' (the tendency to concentrate one's efforts only for the increased production of one's own industry) was under fire almost from the beginning of the commune movement:

> It is understood that during the last few months some enterprises exchanged goods between themselves using raw materials and equipment as means of exchange and stockpiling . . . Under the impact of goods exchange, transfer plans and supply contracts for some commodities were disturbed and production order was affected.[101]

But in 1958, it was still felt that the contradiction was to be resolved not by resorting to balanced and planned production but by "exploiting all kinds of favourable conditions and relying on the masses for pressing forward production, tapping latent power, and economising consumption."[102] Imbalance was still to be the order of the day.[103] Indeed, not till the middle of 1959, when the principle of 'imbalance' was silently revoked, was the problem given adequate consideration and funds were allocated to this sector.@

The technology and resources utilised by the commune industries led to some waste. Ch'en Yun himself testified to this when he talked about the need for developing industries discriminatingly:

> @ However, once greater co-ordination was reintroduced in the sphere of industrial production, the small-scale industries proved to be the most lasting achievement of the Great Leap Forward.

they were now to be developed only near the areas of raw material supply and were to be well linked with their markets.[104] Transportation bottlenecks also developed during 1958 and early 1959 with the prodigious and unplanned increases in output. However, the strain on transport facilities was at least partially overcome by the development of the native and traditional modes of transportation.[105]

Other observers have noted many successes as well of this experiment. Charles Bettelheim[106] refers to the invention of plants for extracting shale-oil which were built within three days and cost only 300 Yuan. Their annual capacity was only 100 tons of crude oil each, but since there were over 10,000 such plants, they produced 1.2 million tons of oil annually — about four-fifths of the total output in 1957. Wheelwright and McFarlane provide a number of instances where savings in construction and operation costs were effected without affecting the quality of the product.[107] But, significantly, the successful examples are of those low-cost factories which were supposed to *supplement* the output of the larger industries or act as auxiliaries — rather than of factories producing independently for agriculture.

Where the 'choice of techniques' principle floundered was in its intention to utilise labour resources. As we have noted, labour in the commune industries came from the agricultural and handicraft sector. Donnithorne has estimated the extent of labour diverted from handicraft activities.

> By May 1959, only 13.3 per cent of the five million handicrafts co-operative members of 1956 were reported to be still in co-operatives of the old types. Slightly more (13.6 per cent) were in units amalgamated to form co-operative factories, 37.8 per cent worked in what had now been designated locally-controlled industry, while 35.3 per cent were employed in commune factories.[108]

What is significant is that the labour *time* taken up in the commune industries was at the expense of the production of subsidiary goods and the necessary handicrafts. The situation in the consumer goods industries (both large- and small-scale) did not help, in any way, to compensate for the shortage of these products and, by late 1959, the leadership was forced to make a reappraisal. In the next few years, strong official encouragement was given to the return of handicraftsmen and others to their old occupations.

The Retreat

We have already referred to the retreat in the various aspects of the Great Leap Forward policy. The ret-

reat occurred at different points of time for the various activities because the loss of statistical control and the disruption of the planning system made it very difficult for the leadership to know the actual, or incipient, problems which the local organisations faced. Besides, the exaggerated output figures of 1958 confirmed their belief that the principle of imbalance was working out fine. The problems which were beginning to surface, even before the end of 1958, were thus seen as separate and specific aberrations and were, therefore, tackled individually — i e, whenever every manifestation of the principle of disequilibrium got out of hand.

In agriculture, the December 1958 resolution of the Central Committee attempted to rectify the general disincentive effects of communisation, by passing on control of production and incomes to the lower level units. The resolution reaffirmed that it was the brigade which was to organise agricultural production and the team which was to arrange labour allocation. But it was not until the beginning of 1961 that ownership and hence calculation of profit and loss and wages was passed down to the production brigades. The semblance of a rural free market was reintroduced in September 1959, and in the summer of 1960 private plots were restored and limits were imposed on the labour time required from commune members.[109]

By the autumn of 1959, disillusionment had set in about the efficiency of communal enterprise in constructing water conservation projects. Official opinion now swung toward control being vested in the hands of larger units — such as the *hsien* which might be better placed to muster mere skill and executive ability than was available to the communes.[110]

The realisation that the incentive policy should be made more realistic was also gradual. The disincentive effects of the free supply system was sought to be rectified by drastically contracting the scope of this system and emphasising the need to distribute according to the labour of the individual. It was now maintained that

> If we simply adopt the method of forcing equal distribution to eliminate such differences (as may exist under socialism) we shall commit the mistake of egalitarianism, which will only play a negative role that undermines social production and the movement for people's communes.[111]

Quite simply, the partial introduction of the principle, 'from each according to his ability to each according to his need' was being replaced by the principle 'to each according to his labour'. By 1961, the 'free supply' system came to an end, time wages were abolished, and the piece work form of remuneration was restored.[112] The real problem, which concerned the *amount* of funds available for distribution got the attention it deserved only towards the end of 1959. Donnithorne observes that by 1960, however, the proportion of accumulation and welfare funds together dropped to about 5 per cent of total income, from a high of approximately 50-60 per cent in 1958, thereby leaving a much larger share for consumption purposes.[113] Even as early as in 1959 considerable dissatisfaction was expressed about the common mess halls.[114] But they remained in operation till as late as 1961, chiefly because they performed certain indispensable functions like freeing labour power and effecting necessary savings. But during the hard years of 1959-60, when rations were cut, corruption among mess workers forced their closure, and peasant households re-established themselves as the basic units of consumption.[115]

The evidence we have reveals that, through the year 1959, considerable opposition to the policies of the Great Leap Forward was expressed, though this was never openly or explicitly directed against the Maoist leadership. The sporadic retreats we have observed, represented the beginnings of a piecemeal victory for the opposition. However, by the end of the year, the agricultural crisis resulting from a combination of disastrous weather conditions and mismanagement during the Great Leap Forward, forced the need for an urgent resolution of the problems. By 1961, there was barely any trace left of the original policies of the Great Leap Forward.

One factor predominantly responsible for the failure of the Great Leap Forward was cadre mismanagement and lack of expertise — whether in determining the rates of savings and consumption, in industrial production, in the sphere of subsidiary production, or in the allocation of labour. The removal of all constraints and the simultaneous exercise of pressure on them to increase production was sanctioned, as it were, by the theory of 'disequilibrium'. Moreover, by the decentralisation measures, their powers were greatly increased at the expense of the powers of the managers and the experts.

It is not as if this removal of constraints and increase of powers can be attributed solely to the need for rapid development. Rapid development is not necessarily incompatible with planning and expertise. The role of the party in unleashing the 'spontaneous initiative of the masses' is to be viewed also as an attack on the role to date of the managers and the technocrats. Thus, in order to comprehend the Great Leap Forward in its totality, especially the crucial idea, which ultimately sabotaged it, it is essential also to study the theory and practice of Maoist anti-bureaucratism.

Politics of the Great Leap Forward

The Great Leap Forward was a particular manifestation of a general trend. In order to study the Leap Forward meaningfully I have found it necessary to try to comprehend that trend itself Formally speaking, this trend towards de-Stalinisation can be said to have begun with the decisions taken in the Eighth Party Congress in September 1956. In this section, our study will begin from this date and end with the retreat from the Great Leap Forward strategy. It would be useful to bear in mind two phases in the political developments of this entire period: first, from the Eighth Party Congress till the end of the short-lived Hundred Flowers movement; second, the period beginning with the Anti-Rightist Campaign till the end of our period.

At the Eighth Party Congress it was unanimously felt that, in future, more emphasis would have to be put on 'democracy' in general.[116] During the earlier period, all organisations in China had used Stalinist techniques; they were a part of the model itself. Now, however, not only were these considered obsolete, but to some extent counter-developmental. The process of de-Stalinisation which had begun in China, even before 1956, was not peculiar to it. All over the socialist bloc significant reforms in the system were taking place; though the immediate events leading to these reforms varied from country to country, the techniques affected were in all cases the same, *viz*, extreme administrative centralisation, strict one-man management, control through parallel competing bureacracies, and rigid intellectual and professional *regimentation*.[117]

The major instrument of the Stalinist model of development was its administrative structure, and any reform of the system would necessarily have to effect this structure. In the People's Republic before the de-Stalinisation measures, the principle of administration was vertical rule.[118] This was a highly centralised system where one agency had full policy and operational control over all units of organisation within its jurisdiction. Commands flowed directly downwards and, conversely, lower level units were responsible only to the higher agency — the span of control and *responsibility* was, thus, direct and vertical. The central ministries ran a hierarchy of branch offices all over the country and these, in turn, directed the units of production under their jurisdiction. The principle of vertical rule was invariably accompanied by the system of one-man management to ensure unity of command.

These principles operated within the framework of a substantial rate of industrial growth on the one hand, and a steady tightening of labour discipline on the other. Strikes were prohibited; punishments were introduced for absenteeism, lateness, and negligence; and under the 'labour book' system, job changes were placed under the control of employers.[119] Moreover, managers were given sole power over piece work norms and over hiring and firing.[120] This kind of labour discipline, and the consequent absence of *independent* political institutions of the working class, was in the very nature of the Stalinist model which sought to find the sources of capital accumulation within the domestic economy. In China, where agriculture was incapable of generating adequate surpluses, the source of capital accumulation was increasingly sought in the modern industrial sector itself. In fact, the gap between wages, which remained static during the period before the wage reform of 1956, and increasing labour productivity, was sanctioned in the First Plan itself.[121]

However, the Stalinist model also engendered certain tendencies which were counter-developmental — not only for immediate objectives, but also for the long-term goals of the regime. Franz Schurmann observes that through the principle of vertical rule, not a few ministries created 'far-flung empires'. Notable among them were the Ministry of National Defence, the Ministry of Commerce, some ministries for the machine-building industry, and the Finance Ministry.[122] Within the enterprises, excessive centralisation manifested itself in the proliferation of instructions from above which were binding on the management of the enterprise. In his report to the Eighth Party Congress, Li Hsueh-feng attacked the principle of one-man management — and, implicitly, the system of binding instructions — for engendering bureaucratic tendencies. He maintained that managers lacked a sense of personal responsibility: they gave attention to the fulfilment of production tasks alone. Moreover, instead of encouraging 'persuasion, education, and administrative discipline' in mobilising the workers they often used punitive measures to maintain discipline. In no way did they inspire the workers and rouse their creativity.[123]

The counter-developmental tendencies inherent in a completely bureaucratised structure were buttressed by the system of incentives. For reasons mentioned earlier, the average real wage level of the Chinese workers did not rise substantially during the First Five Year Plan. In fact, real wages declined somewhat during 1954 and 1955, as the value of a 'wage point' rose less than most other prices — in spite of considerable advances in productivity.[124] Moreover, the workers possessed no institutional channel through which to voice their demands.

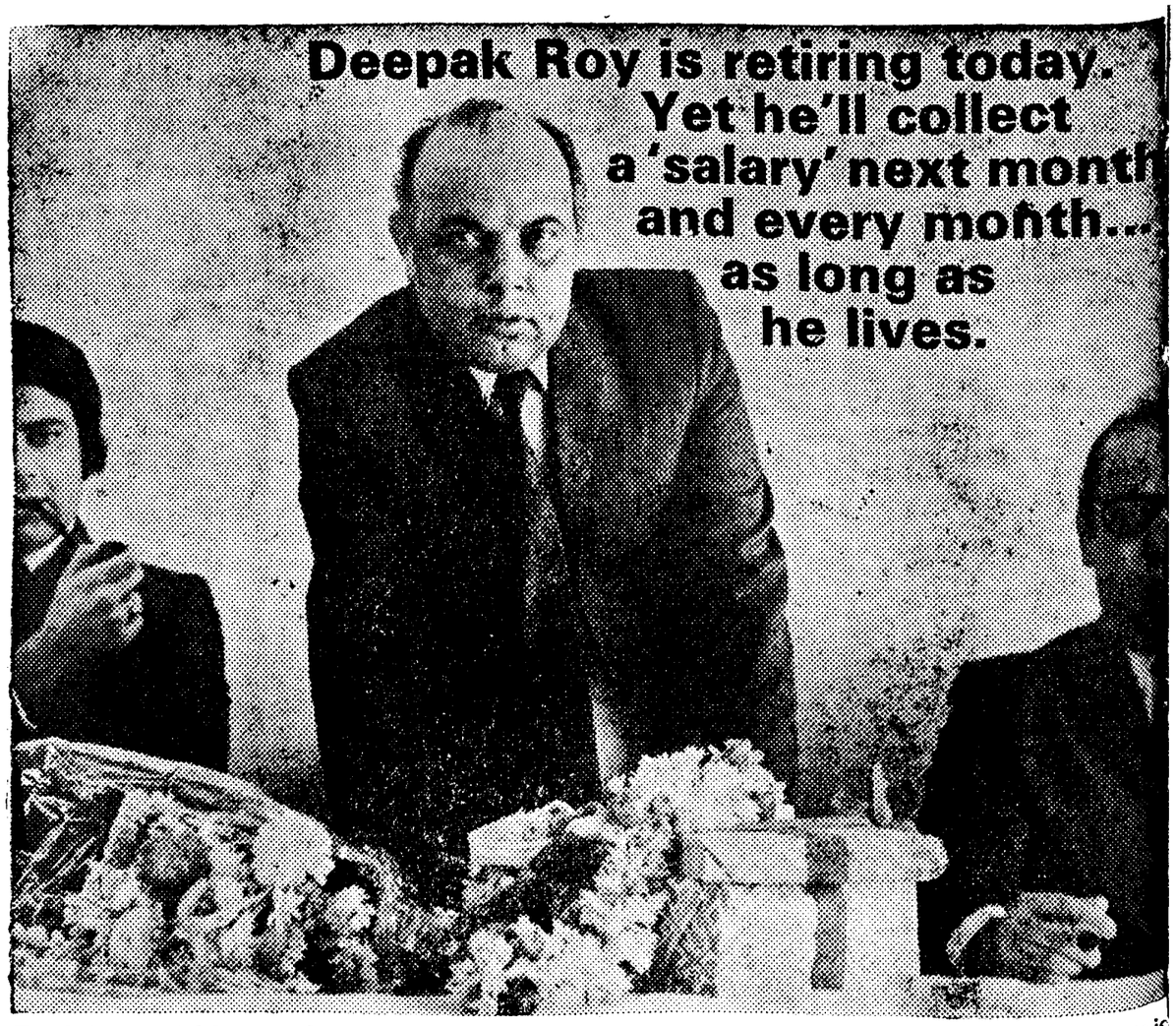
Besides, for the sake of economic development, it became necessary for the regime to secure the specialised services of the professional stratum of managers, technicians, and other economic administrators — people who had to be given privileges if they were expected to contribute their services, yet whose emergence as a privileged class would subvert the very goals of socialism. As early as in 1953, B Shastri of the Praja Socialist Party of India observed that workers were paid 50-60 wage units a month, while a factory manager received 2,750 wage units.[125] And even so, the technocrats resented the authoritarian methods of the system which they perceived as giving them little leeway.[126]

It seems likely that this professional stratum formed a major pressure group to demand reform of the system. An important group at the other extreme consisted of the militant ideologues whose policies were designed to eradicate the difference between mental and physical labour, to substitute moral for material incentives, and to subject the State machine to workers' control. From the outset it was evident that the kind of changes which the two groups sought were antagonistic and irreconcilable. Party secretaries who had made common cause with plant and factory directors in attacking administrative centralism learnt that their erstwhile allies were very reluctant to exchange the 'petty intelage' of ministers and planners for that of the local apparachitika. The cleavage was reflected at the top level as well, and as 1957 drew on, it became increasingly apparent. Nevertheless, a precarious balance was maintained between the interests of the two groups until the final rupture, which came with the decentralisation measures in November 1957.

If de-Stalinisation was essentially a response to domestic pressures it also received an impetus from events in the communist world — *viz*, the popular uprisings in Poland and Hungary. Significantly, the Chinese Government noted that the demands of the people of Hungary and Poland for freedom and democracy, equality and material well-being were 'completely proper'.[127]

It was against this backdrop that the Eighth Party Congress took place.[128] The Congress formally sanctioned the reform measures that had taken place earlier, notably the wage reforms of June 1956 (which we have discussed in Section I) and initiated a policy of general liberalisation. Even the constitution adopted at this Congress introduced greater inner-party freedom and greater elasticity[129] under collective leadership. Just as significant was the new policy towards the intellectuals and professionals. The admittance of ex-bourgeois intellectuals into the party was no longer barred. In fact, within a year, the number of intellectuals — of whom the managers, technicians and economic administrators formed an important part — in the Party rose by half.[130]

The 'Hundred Flowers' movement in the spring of 1957 marked the culmination of the liberalisation measures. Brief though it was, the reaction of the Maoists to the real opinions of the intellectual and professional groups undoubtedly shaped their notion of democracy and freedom, and, as we shall see, influenced the choice of the model of political and economic development — the Great Leap Forward. More immediately, the Hundred Flowers movement demonstrated the fragility of the alliance between the militant ideologues and the professional stratum mentioned earlier. In fact, the main target of the intellectuals was the Party, and they demanded fewer political controls, and greater independence and authority in professional matters. Critic-



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ism focused on the exclusiveness of Party leadership, the methods of leadership, and the mistakes and excesses of the past.[131] This kind of opposition had a fundamental impact on the Chinese communists. They were now forced to confront the central problem in their conception of 'freedom' and 'necessity'. The dilemma, moreover, could not be disembodied from the question of political power and the nature of economic development.

At the leadership level, the differences that had emerged earlier, were transformed, after the 'Hundred Flowers' episode into two distinctly opposed sets of policies. The differences centred around the type of de-Stalinisation and the nature of the alternative model of development envisaged. For Mao and his group, the Hundred Flowers episode confirmed their instinctive antipathy towards bureaucrats and professionals. In their view, the imminent decentralisation plans should, at no cost, strengthen the position of this group; for, this would create the conditions for the emergence of new centres of power. During the Anti-Rightist Campaign that followed, the brief period of 'blooming and contending', the kind of freedom that the intellectuals had exercised was attacked as being petty-bourgeois and counter-revolutionary. For Mao, 'freedom' and 'democracy' now acquired a new meaning: it meant the 'unleashing of the spontaneous initiative of the masses', which meant the removal of all constraints on their creativity.[132] But since the Party was regarded as the conscious expression of the will of the masses, unleashing the creativity and initiative of the masses meant, in its most direct form, giving greater freedom to the Party at the lower levels. In the Maoist view, therefore, power to the people would necessarily involve concentrating the decentralised powers in the hands of local Party units.

Opposed to this was the view that power should be decentralised to the production unit itself, i e, to the experts and managers within the enterprise. This view was represented, in part at least, by Ch'en Yun.[133] The different types of decentralisation envisaged had profound implications for the kind of development that would occur. Putting decision-making powers into the hands of the producing units also involved the creation of external conditions for the autonomous exercise of such powers — *viz*, some form of market conditions. It has been an assumption among Chinese Communist economists that where production units are not subject to directive and regulatory controls, they will produce for self gain; they will increase output only if they can gain something in return. In other words, if the autonomy of production units, notably agricultural co-operatives and industrial enterprises is to be expanded material rewards must be given them as incentives.[134]

In fact, in his speech to the Eighth Party Congress, Ch'en Yun called for an expansion of the free market,[135] and it is not hard to see that the decentralisation measures proposed by him would have implied the creation of an economy not unlike the Yugoslav type. The decentralisation measures implemented in late 1957 and 1958, and the establishment of People's Communes represented decentralisation of the Maoist variety. The decision was rooted in the anti-bureaucratic climate of the times, and its logic entailed a shift away from material incentives and power to the manager-technocrat. As we have seen, the model of development, conceived by Mao, involved the mobilisation of mass initiative as the primary input for the construction of socialism. Moreover, they were to be spurred on purely by their ideological commitment — not only because material incentives tend to dissipate scarce resources, but also because the 'economic man' had no place in his world view.

The decentralisation measures replaced vertical rule by dual rule.[136] Dual rule meant that an agency was under the jurisdiction of two bodies on the same administrative level. It was a combination of vertical and horizontal control: one channel of command and information going up, and another going sideways. In other words, the powers of the local authorities — provinces, autonomous regions and municipalities under the direct jurisdiction of the central government, and below them, the lower authorities of the *hsien*, *hsiang* and later on, the commune — were to be increased.

Ideally, dual rule implied the effective division of authority between central and local governments; but during the Great Leap Forward, the local authorities — i e, the commune — dominated by the Party completely overshadowed the vertical chain. In fact, during the Great Leap Forward, all the affairs of government were managed by party committees. Branch agencies of the central ministries were greatly hampered in their operations by their inability to deal with the power of local party committees.[137]

In the field of management, the 'one-man management' system was replaced in 1956 by a system of collective responsibility — authority was shared by the party and the management.[138] In a sense, this was a practical manifestation of the alliance we have mentioned earlier. Policy-making powers were with the party committees, but the management still had the right to operate factories. With the termination of the Hundred Flowers movement the balance shifted in favour of the party cadres. The Anti-Rightist Campaign which followed marked the beginning of the tide against the professionals. It is to be noted that what started off as a movement against bureaucratism and 'subjectivism', was transformed at its peak during the Great Leap Forward into a movement directed against professionalism itself.

While the aims of the two movements may have differed — in that, whereas the Anti-Rightist Campaign sought to reform the ideas and rectify the work-style of the intellectuals, the Great Leap manifested a tendency to eliminate this stratum as a whole — the Anti-Rightist Campaign did not really end before the Great Leap; the two were part of one continuous process. The spirit of the Anti-Rightist Campaign and the techniques employed during it were carried on into the Great Leap Forward, and the Campaign submerged its identity in the larger movement.

The Anti-Rightist Campaign sought to reform the professionals by inspiring them with the politics of proletarian socialism. The technique employed to effect this was the *hsia-fang* ('sending down' or 'downward transfer').[139] Intellectuals and professionals were sent down, either to villages or to the production front of their enterprises, to participate in physical labour. As part of the Anti-Rightist Campaign *hsia-fang* was directed against the triple evils of bureaucratism, subjectivism, and sectarianism — all three being synonymous for any kind of activity "which departs from the masses and reality". Those in leading positions and separated from the masses were to devote their time to engaging in physical labour with the peasants and workers with a view to transforming their own work-styles and attitudes. As for the numbers of personnel actually sent down, one report indicates that, "during 1957, in the retrenchment movement, 100,000 cadres have been detailed to production posts, while 200,000 have been withdrawn to engage in ac-

tivities at basic levels."[140]

By the time of the Great Leap Forward, another report indicated that, in February 1958, the number of people sent down constituted the majority of the 1,300,000 total.[141] More important, between this date and September 1958, *hsia-fang* was transformed from a movement into a system. In other words, participation in physical labour by intellectuals, professionals, and technicians, was no longer to be a temporary affair, but a way of life — at least until the end of the Great Leap Forward. This move prepared the ground for the elimination of the professional group and their specialised services and for their replacement by the party. The process was best illustrated in the industrial enterprises. Prior to 1958, factories in communist China were three-tiered: The top layer consisted of those who directed the organisation — a party committee or a management council formulating policies. The policy was translated into operational commands by the technicians. And supervision of the implementation was done by the 'line-men'. These two groups constituted the middle tier — the professional group. Finally, the bottom tier of the organisation comprised workers.[142] During the Great Leap Forward, in Chekiang province alone,

> Cadres of 2,100 units in our province take part in labour and workers of 1,208 units take part in management; 3,861 cadres have been retrenched and sent down .... The proportion of administrative personnel to the total number of workers and office employees has, in general, dropped, from 15 per cent to 1-2 per cent. This is a new development of carrying out the mass line in industrial management.[143]

The *hsia-fang*, during the Great Leap Forward, sought to eliminate the middle tier of professionals and join the Party with the workers in the factories. The slogans of the period — 'politics takes command' and the virulent attacks against the 'fetishism of technology' — were a reflection of this trend. The middle management in industry were attacked, dismissed from their positions;[144] complex industrial designing and planning was reduced to simplicities which could be handed by the inexpert party cadres.

It is interesting to note that, in replacing the technical and professional intelligentsia with the party cadre, the Chinese Communists were doing more or less what Stalin did in the 1930s. But in China not enough 'red and expert' cadres were produced to match the technical staff that were trained in the Soviet Union. Consequently, the very notions of professionalism and expertise came under attack during the Great Leap Forward.

The Maoist vision also attempted to transform the 'organic solidarity' of the production organisations which had been engendered by the earlier system. The policies of individual responsibility, individual incentive, and division of labour, which existed during the period of the First Plan, produced a kind of worker who was merely an agent in the process of production, controlled by the system and without any inspiration to improve his efforts. During the Great Leap Forward, a new type of worker appeared on the scene: he was jack-of-all trades who could do a little of everything, in contrast to the specialist or master-of-one technique, who had only one narrowly defined skill.[145] At one level it was hoped, rather naively, that this could fill the expertise 'gap' created by the dismissal of the professional stratum. At another level, it was expected to produce a 'mechanical solidarity' among workers, who would now be held together — not by the division of labour constituting an aggregate of individuals but — by a knowledge of their role as the controllers of the process of production. The deeper meaning of this movement was indeed heroic. The Maoist vision held that the specialisation of skills produced a system which dominated man and distorted the human condition; hence the movement sought to attack the problem at its very roots. However, with the decline of the Great Leap Forward ideology, the movement, too, began to disappear; perhaps, it could only thrive in conditions where expertise was nominal.

In the State structures, as much as in the factory enterprises, there was a tendency to move away from regular procedure and formal management. Basic level congresses and State officials were by-passed like their counterparts in the factories; administrative tasks and professional management were now considered redundant. In fact, at the basic levels, the State apparatus was largely replaced by mass organisations, i e, by all organisations of workers and peasants, outside of the formal State structure, which gave political direction to their members.[146] Important among these were the trade unions and the rural production units. It need hardly be mentioned that these organisations were firmly controlled by the Party, through the placement of its members in leading positions.[147]

These mass organisations provided the effective location for mass political mobilisation and participation, which constituted the essence of the Great Leap Forward. An ideal illustration of how this worked is provided by the trade unions. In the trade unions, a primary organisation could be established in any enterprise or establishment with ten or more trade union members. In larger enterprises primary committees could set up subordinate committees at the workshop level and trade union groups on the basis of production or office units.[148] The creation of such small branches facilitated frequent meetings and direct personal contact between leaders and ordinary members. Since effective leadership in the union was in the hands of the Party, the small organisations provided the leadership with an ideal way of eliciting enthusiastic response for its policies. Under the guidance of the Party, workers would participate in discussions and come to conclusions as to what was the 'correct' line or decision — and why.

Moreover, the mass organisations were also used for political education. During the Great Leap Forward, there was an unprecedented effort to infuse the masses with a militant ideological spirit. There were two broad themes in this vigorous campaign: first, maintenance of constant vigil against bureaucratism and revisionism, and second, giving the call to achieve the high targets of the Great Leap Forward by going all out and making material sacrifices for an abundant and egalitarian future. The campaign utilised the methods of the earlier rectification campaign, and as Chou En-lai observed, made these methods a "permanent feature of our political life".[149] Mass meetings, constant discussion and debate, and Ta Tze Bao which were earlier used only for specific purposes now became during the Great Leap Forward the very heart of political activity.

More fundamental perhaps than any other changes, was the campaign to militarise the life of the peasantry, "to turn the whole nation into an army of soldiers". The aims of this campaign were clear: to maintain a vigil against 'revisionism' and to motivate the peasantry to increase production and make sacrifices. The aims conform to the themes in the campaigns analysed earlier. However, the militarisation campaign had a far-reaching impact on the

lives of the masses; for, actually, it attempted to change the very nature of their work organisation.

> The rapid development of agriculture simply demands that they (the peasantry) greatly emphasise their own organisational character, demands that in their work they act faster and in a more disciplined and efficient way, that they can better be shifted around within a broad framework like the workers in a factory or the soldiers in a military unit. Thus they have recognised that their organisation requires militarisation.[150]

This radical change in the organisation of the peasants' work meant a great change in their traditional working habits and attitudes. However, the unrealistic tempo and the pitch at which this transformation took place for over two years, foredetermined its collapse.

What can we say, in fact, happened? By the time of the Eighth Party Congress, there seemed to have been a unanimous agreement on the redundancy and undesirability of the Stalinist model. Between September 1956 and the decentralisation decision, there was alliance and compromise between the privileged professional stratum and the party radicals. But these were two groups contending for power, i e, for the economic decision-making authority which the central ministries were no longer to enjoy. However, the compromise was unlikely to last long, because the interests of the two groups were basically irreconcilable. Power to the one or to the other would mean completely different paths of development.

The Hundred Flowers movement gave the professional stratum freedom, but not power to convert this freedom into a reality. It now became apparent to the party radicals that, if power was transferred to this stratum, it would be used to undermine the authority of the party and to consolidate the stratum's own position as a class. Since decentralising of authority to the managerial level would entail a model of development based on material incentives and free market operation, the appraisal was not unrealistic. Consequently, the politics of the Great Leap Forward were directed precisely against this stratum. It should no longer be hard to perceive why the Great Leap Forward model of development cannot be understood independently of the question of political power.

However, in the tide of anti-professionalism, the slogan 'red and expert' lost its meaning. Indeed, essential expertise was reduced to meaningless simplicities. In its zeal to check the power and the inviduous influence of the professionals, the Great Leap Forward overreached itself — it undermined the very concept of expertise. Of course, one cannot discount here the role of the fantastic targets of the Great Leap Forward, the goal to overtake Britain in fifteen years. The management and the planners would have certainly opposed such an approach to economic development; for which reason the party radicals would necessarily have had to get them out of the way. In a very fundamental sense, the Great Leap Forward was indissolubly linked to the question of political power.

Conclusion

While the Great Leap Forward model of socialist transformation emerged as an alternative to the Stalinist model, the choice of its specific strategy was influenced also by other considerations. For, as the experiences of the other countries of the communist bloc testify, the Great Leap Forward was not the inevitable alternative to the Stalinist model. The determination of the Great Leap model was the outcome of the interaction of three necessary factors: first, the need to circumvent the problems inherent in the Stalinist model without reducing the flow of resources from the pre-industrial sector to the modern sector; secondly, the need to successfully accommodate, in a developmental model, the peculiar problem of the Chinese case, i e, overpopulation in the countryside; and thirdly, the need perceived by the Maoists to check the power of the professional stratum.

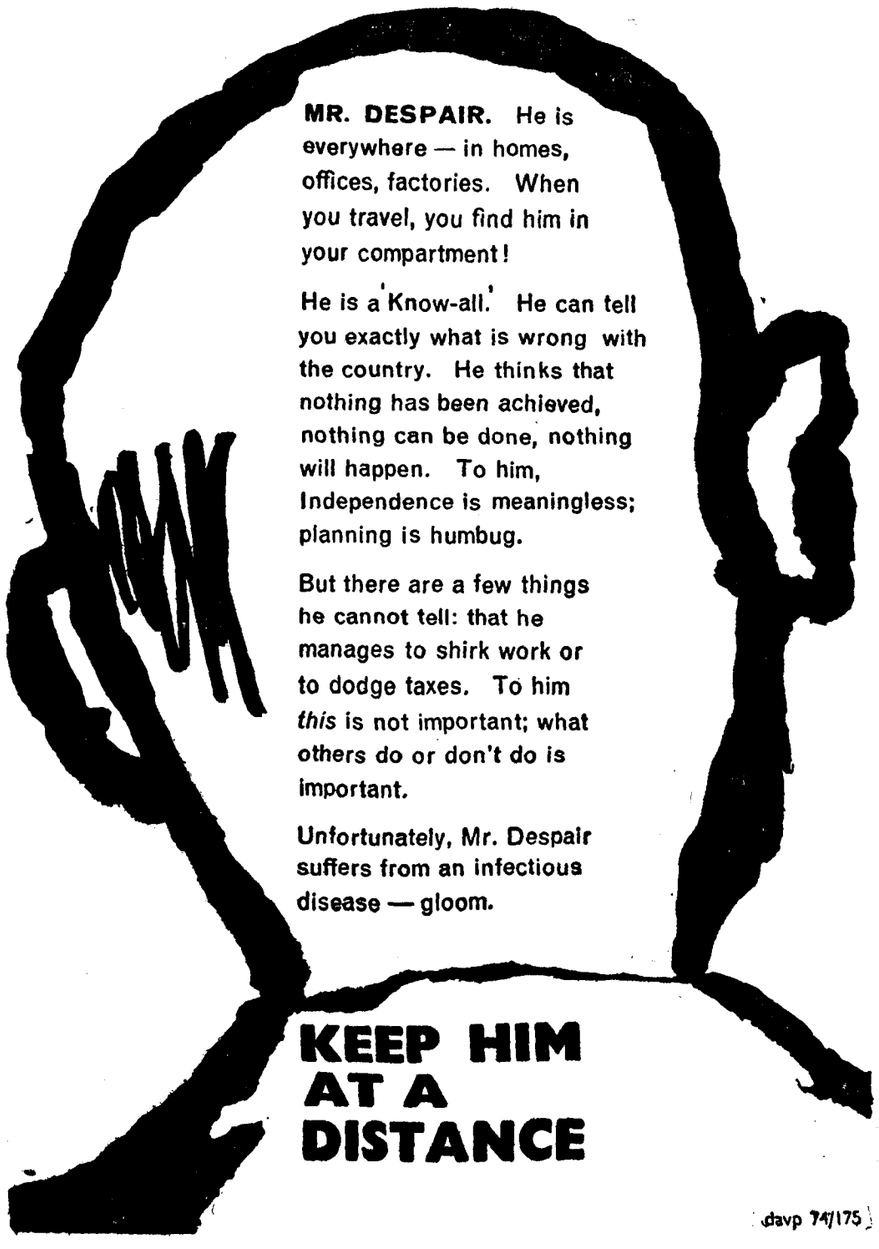
The Maoist conception of the Great Leap Forward's *economic* strategy — the strategy of primitive socialist accumulation — combining as it did the first two necessary categories outlined in the preceding paragraph, was suited to the Chinese situation. As we have observed in the first two sections of the first section, the strategy sought to resolve the problems of a stagnant agriculture — declining per capita availability of foodstuffs, declining supplies of agricultural raw materials for industry, underemployment, the problem of mechanisation, and most of all, the danger of reduced surpluses for industrialisation — without stepping up investment to any significant extent in this sector. At the centre of this strategy, was the unprecedented mobilisation of the surplus labour as the primary input in a diversified rural economy. Diversification of the rural economy basically meant the construction of water conservation and irrigation projects, and the development of local small-scale industry. Moreover, the idea was not only to undertake these projects with minimum capital investment, but also to ensure that surpluses from these projects were converted into rising investment and not dissipated by an increase in consumption.

However, in order to study the Great Leap Forward in its totality and to comprehend the real factors underlying its failure, it is necessary to study the third factor, i e, the need which the party militants felt to avoid reliance on, and check the power of, the professional stratum. It is necessary to understand the anti-professionalism of the Maoists with reference to the Stalinist model of which the professional stratum was an essential part.

In the Soviet Union, the need to channel surpluses from the pre-modern sector of the economy for industrialisation, necessitated among other things, the creation of a pervasive and powerful bureaucratic structure. The organisational principles and complex operations of this bureaucratic apparatus were taken over by the Chinese Communists and applied in their country for the major part of the First Five-Year Plan period. While this bureaucratic model may have been suited for the efficient appropriation of surplus in the initial phases, in time, the disaffection it created among the various sections of the population, viz, the working class, the peasantry, the party radicals, and the professional stratum, created the conditions for its ultimate abandonment. The emergence of the last mentioned social stratum was a significant development of this period. During the First Plan, this group of professionals had acquired considerable privileges as an indispensable stratum; at the same time, they still resented the authoritarian system which gave them little power. After the de-Stalinisation decisions, it became increasingly clear that they wanted more freedom and authority in the decision-making processes. While, in most of the other countries of the communist bloc, considerable authority did devolve onto them as a consequence of the various paths of de-Stalinisation chosen (especially so in Yugoslavia), in China a covert struggle ensued between this professional stratum and the party militants.

The launching of the Great Leap Forward marked a temporary ascendancy of the party militants over the professionals. That the party would be

THIS PERSON IS TOO FAMILIAR; AVOID HIM



MR. DESPAIR. He is everywhere — in homes, offices, factories. When you travel, you find him in your compartment!

He is a 'Know-all.' He can tell you exactly what is wrong with the country. He thinks that nothing has been achieved, nothing can be done, nothing will happen. To him, Independence is meaningless; planning is humbug.

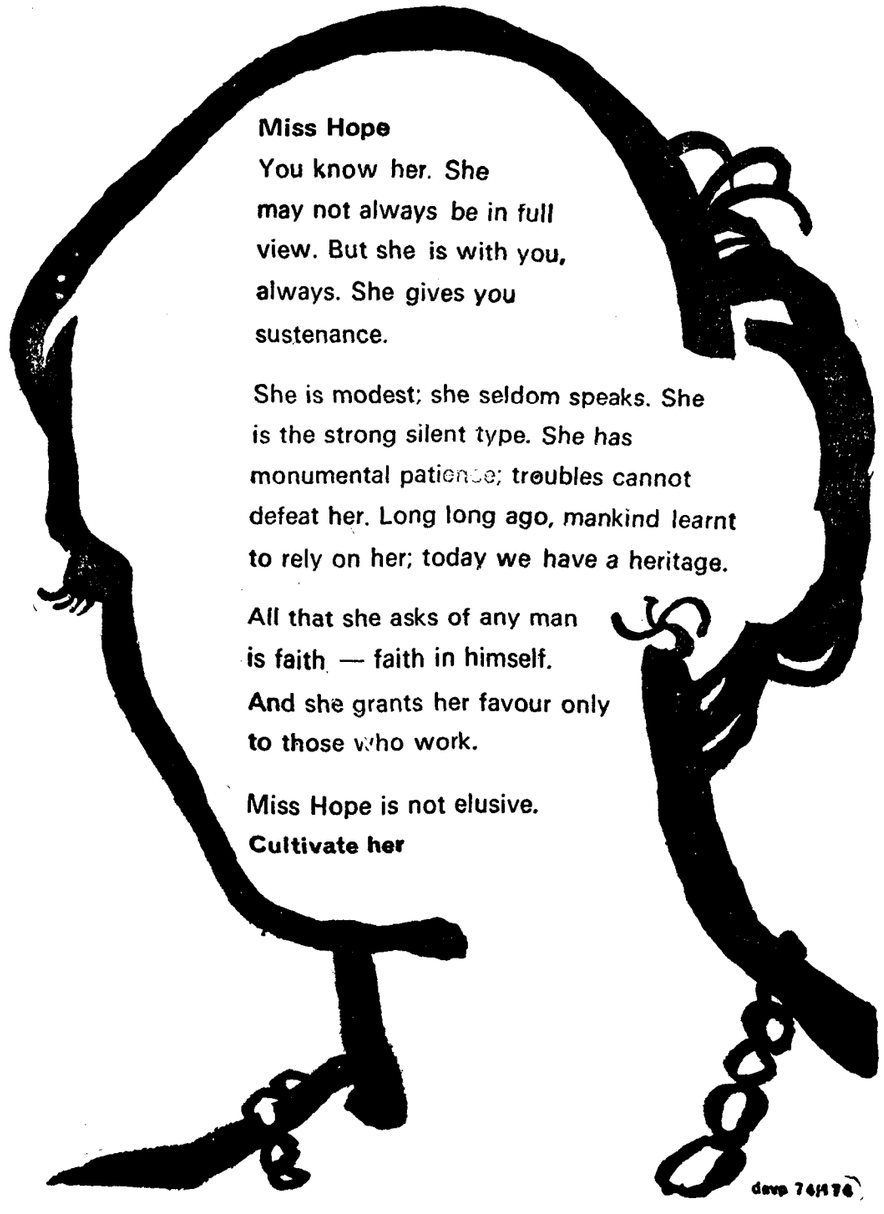
But there are a few things he cannot tell: that he manages to shirk work or to dodge taxes. To him *this* is not important; what others do or don't do is important.

Unfortunately, Mr. Despair suffers from an infectious disease — gloom.

KEEP HIM AT A DISTANCE

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THIS PERSON IS RATHER SHY; CULTIVATE HER



Miss Hope
You know her. She may not always be in full view. But she is with you, always. She gives you sustenance.

She is modest; she seldom speaks. She is the strong silent type. She has monumental patience; troubles cannot defeat her. Long long ago, mankind learnt to rely on her; today we have a heritage.

All that she asks of any man is faith — faith in himself. And she grants her favour only to those who work.

Miss Hope is not elusive.
Cultivate her

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in a dominant position was evident from the economic, strategy of the Leap Forward which focused on mass mobilisation and political control as central tasks. More fundamentally, the Great Leap Forward might not have existed if the decentralisation decisions had not strengthened the party units. What was significant, as a consequence, was the 'class war' which the party radicals conducted against the professional group. While this was implicit in the general tone of the Leap Forward, the most explicit manifestation of this was the mass dismissals of the professionals — the effective elimination of professionalism.

We have observed that it was this anti-professionalism, coupled with the feverish exhortations to step up production so that China could overtake Britain in fifteen years, which caused the failure of the Great Leap Forward. Nevertheless, the competitivenes *vis-a-vis* a country like Britain did play an important role in the Great Leap Forward strategy of primitive socialist accumulation. The ideologically compelling drive to increase production represented that aspect of the economic strategy for accumulation which sought to increase surpluses for investment without incurring corresponding increases in consumption. The failure of the Great Leap Forward revealed that, till the sixties at least, China was too backward (both, economically and in terms of the cultural level of the working class) : (a) to allow the accumulation process to occur smoothly, without it creating many disincentives among the producers (see the section on incentives), and (b) to stall the emergence and consolidation of bureaucratic and professional power centres. There is perhaps no more convincing proof of this than the developments of the immediate post-Leap period, a period which has been aptly characterised as the period of China's New Economic Policy.[151]

Notes

1 Editorial in *People's Daily*, September 16, 1953.

2 State Statistical Bureau, Comp, "Ten Great Years" (Peking, 1960). See also Shigeru Ishikawa, "National Income and Capital Formation in Mainland China" (Tokyo, 1965), p 76.

3 W W Hollister, "China's Gross National Product and Social Accounts, 1950-57" (Glencoe, Illinois, 1958), p 2. For comments on Hollister's estimate, see also T C Liu and K C Yeh, "The Economy of the Chinese Mainland: National Income and Economy Development, 1953-1959" (Princeton, 1965), p 120.

4 Choh-ming Li, "Economic Development of Communist China" (Calif, 1959), p 107.

5 Liu and Yeh, n 3, pp 119-20.

6 Yuan-li Wu, "The Economy of Communist China" (London, 1965), p 88.

7 *Ibid*, p 89.

8 Yang Po, "A Study of the Distribution of China's National Income", *Ching-chi Yen-chiu*, No 6, December 17, 1957. Reprinted in *Extracts from China Mainland Magazines* (hereafter referred to as ECMM) (Hong Kong, 1958), No 112.

9 W W Hollister, "Capital Formation in Communist China", in Choh-ming Li, (ed) "Industrial Development in Communist China, 1958-1963", (New York, 1964), p 40.

10 *Ibid*, p 40.

11 Alexander Eckstein, "Communist China's Economic Growth and Foreign Trade" (New York, 1966), p 43.

12 Hollister, n 9, p 40.

13 *Ibid*, p 45.

14 Eckstein, n 11, p 43. These estimates of his are from, "Ten Great Years", p 59.

15 "Ten Great Years", p 59.

16 Hollister, n 9, p 44.

17 Audrey Donnithorne, "China's Economic System" (London, 1967) p 337.

18 "Ten Great Years", p 89.

19 Eckstein, n 11, p 50.

20 "Ten Great Years", p 118.

21 Eckstein, n 11, p 58.

22 *People's Daily*, August 10, 1957.

23 Yang Po, n 8.

24 Huang K'o, *Chi-Hua Ching-chi*, No 11, November 9, 1957, in ECMM, No 118.

25 Donnithorne, n 17, pp 291-92.

26 Compiled by Tung Chi Kung Tso, *Tung-Chi-Kung-Tso*, No 19, October 14, 1957, in ECMM, No 114.

27 Yang Po, n 8.

28 *Ibid*, emphasis mine.

29 Sung Ping, *Lao Tung*, No 121, October 1957, in ECMM, No 117.

30 Donnithorne, n 17, p 183.

31 Richard Lowenthal, "Development *versus* Utopia in Communist Policy" in Chalmers Johnson (ed) "Change in Communist Systems" (Stanford, 1970), p 78.

32 Donnithorne, n 17, p 185.

33 Chi Chung-wei, *Ching-chi Yen-chiu*, No 2, February 17, 1958, in ECMM, No 127.

34 Mao Tse-tung, "The Question of Agricultural Co-operation" (Peking, 1955), pp 22-23.

35 Min Tzu, *Chi-hua Ching-chi*, No 6, June 1958, in ECMM, n 142.

36 Carl Riskin, "Small Industries and the Chinese Model of Industrialisation", *China Quarterly* (London), No 46, April/June 1971.

37 Chang Pei, "Building Industry All Over China", *Peking Review* (Peking), No 7, April 15, 1958, p 6. See also Chi, n 33.

38 Chi, n 33, see also E L Wheelwright and B McFarlane, "The Chinese Road to Socialism: Economics of Cultural Revolution" (New York, 1970), p 47.

39 Li Fu-chun in Wheelwright and McFarlane, *ibid*, p 44.

40 "Walk on Two Legs", *Ta Kung Pao*, May 18, 1958 in Riskin, n 36, p 262.

41 Chang Pei, n 37, p 7.

42 Riskin, n 36, p 264. Emphasis mine.

43 Kenneth R Walker, "Planning in Chinese Agriculture: Socialisation and the Private Sector, 1956-1962" (London, 1965).

44 *Ibid*, p 33. This does not include private income from household handicrafts.

45 *Ibid*, p 36.

46 Mao Tse-tung, n 34, p 31.

47 Walker, n 43, p 38.

48 See Stuart Schram, "Mao Tse-tung and the Theory of Permanent Revolution, 1958-1969", *China Quarterly*, No 46, April/June 1971, pp 222-39.

49 The Theory of Permanent Revolution is also spelt out in Mao Tse-tung, "Sixty Points on Working Methods — A Draft Resolution, 1958" in J Ch'en, (ed) "Mao Papers" (Bombay, 1971), pp 57-76. This idea is hardly new to Marxism, but it must be remembered that in maintaining that 'revolutions' continue during socialism, Mao deviates from Stalinist ideas about building socialism.

50 *Ibid*, p 65. Parenthesis mine.

51 *Ibid*, p 63.

52 Mao Tse-tung, "Speech at the Supreme State Conference", January 28, 1958. The need for rapid and self-reliant economic growth seemed even more urgent at a time when it was becoming clear that less and less support and aid would be forthcoming from the Soviet Union.

53 Schram, n 48, p 232.

54 Mao Tse-tung, "Speech at the Supreme State Conference", January 28, 1958.

55 Mao Tse-tung, n 49, p 66.

56 Cheng Fang, *Hsin Chien-she*, No 8, August 1958, in ECMM, No 146.

57 Choh-ming Li, "The Statistical System of Communist China" (Berkeley, Calif, 1962), p 70.

58 *Ibid*, p 72.

59 Editorial in Renmin Ribao (Peking), February 28, 1959, reprinted in *Peking Review*, Vol I, No 2 March 11, 1958, p 9.

60 T J Hughes and D E T Luard, "The Economic Development of Communist China, 1949-1958", (London, 1959) p 60.

61 Audrey Donnithorne, "Background to the People's Communes: Changes in China's Economic Organisation", *Pacific Affairs* (Richmond), Vol XXXII, No 4, December 1959, p 339.

62 Jung Tze-ho, *Tsai Cheng*, No 1, January 1958 in Extracts from China Mainland Magazines (Hong Kong), hereafter referred to as ECMM, No 126.

63 Hughes and Luard, n 1, p 63.

64 Donnithorne, p 341.

65 *Ta Kung Pao*, October 27, 1958.

66 *Jen Min Jih Pao* editorial (Peking), September 3, 1958. Reprinted in *Current Background* (Hong Kong), No 517.

67 Gargi Dutt, "Rural Communes in China", (Bombay, 1967), p 36.

68 This tendency of gravitation towards centralisation occurred "partly because of the difficulty of coordinating decisions at different levels within the commune and partly as a result of the atmosphere within which the commune's party leadership operated. There was no hard and fast rule that would have allowed commune heads to plan for use of labour on large water conservation projects without in some way coming into conflict with demands on that same labour from the production bridgades heads (the heads of the old co-operatives) for use in farming. Since the commune leadership contained the more senior party personnel, they invariably won out — whatever the economic merits of their case".

Dwight H Perkins, "Centralisation and Decentralisation in Mainland China's Agriculture, 1949-1962", *Quarterly Journal of Economics* (Cambridge, Mass), Vol LXXVIII, May 1964, p 228.

69 Meng Chin-lin, *Ching-chi Yen-Chiu*, No 9, December 15, 1958, in ECMM, No 154.

70 *Ibid*.

71 *Ibid*.

72 Dutt, n 8, p 56.

73 This does not refer to the original capital required to set up the various communal enterprises. This has been dealt with in the previous chapter.

74 Donnithorne, "China's Economic System" (London, 1967), p 73.

75 *Jen Min Jih Pao*, editorial, n 7.

76 Yang Min, *Peking Review* (Peking), October 21, 1958, p 11.

77 Cited in Marion R Larsen, "China's Agriculture Under Communism", in "An Economic Profile of Mainland China", Studies Prepared for the Joint Economic Committee Congress of the United States (Washington, 1967), p 242.

78 Liao Lu-yen, *Hung Chi*, No 1, January 1, 1959 No ECMM, No 158.

79 Choh-ming Li, "The Statistical System of Communist China" (Berkeley, Calif, 1962), pp 84-98.

80 Feng Chih-kuo, *Ching-chi Yen-chiu*, No 3, March 17, 1959 in ECMM, No 167.

81 *Ibid*.

82 *Ibid*.

83 See Charles Hoffman, "Work Incentives in Chinese Industry and Agriculture", in "An Economic Profile of Mainland China", Studies Prepared for the Joint Economic Committee Congress of the United States (Washington, 1967), pp 471-98. Hoffman, however, maintains that there was a decline in productivity in 1958 as well, see p 494.

84 *Ibid*, p 485.

85 State Bureau of Statistics, "How was Income Distributed in Hsintu Hsien", *Chi-Hua Yu Tung-Chi*, No 4, February 23, 1959 in ECMM, No 170. See also Hoffman, n 23, p 484.

86 Li Hsien-nien, "Text of Vice-Premier Li Hsien-nien's Report to National People's Congress", *Current Background*, No 615, April 5, 1960.

87 Sidney Klein, "Real Taxes and Real Incomes in Communist China" in *Current Scene* (Hong Kong), November 29, 1961, Vol I, No 19.

88 *Ibid*, p 4.

89 See for instance, State Bureau of Statistics, n 25. For Hsintu *hsien* it was maintained that the proportion of total taxes collected by the State to net income dropped from 21.2 per cent in 1957 to 14.5 per cent in 1958.

90 Quoted in Kenneth R Walker, "Planning in Chinese Agriculture: Socialisation and the Private Sector" (London, 1965), p 73.

91 Donnithorne, n 14, p 84.

92 Donnithorne, n 14, p 82.

93 Walker, n 30, p 80.

94 Hoffman, n 23, p 488.

95 Pi Ping-fei, *Ching-Chi Yen-Chiu*, No 2, February 17, 1959 in ECMM, No 166.

96 *Ibid*.

97 *Ibid*.

98 See Carl Riskin, "Small Industry and the Chinese Model of Development", *China Quarterly* (London), April/June 1971, No 46, p 260.

99 See Meng, n 10. The fact the wholesale prices were charged for commodities produced in the State industries (which were mainly capital goods — the consumer goods industries had been transferred to the local authorities during the decentralisation) meant that the profit margin for commune industries producing the same goods would be relatively low. This was because the production costs in the commune industries were higher than those of state-owned industries. Consequently, the commune industries tended to concentrate on the production of those goods which were relatively more profitable to the neglect of production of agricultural tools and fertilisers.

100 Chao Hua-ling, *Ching-Chi Yen-Chiu*, No 4, April 17, 1959 in ECMM, No 172.

101 Chi Kuang, *Chi-Hua Ching-Chi*, No 10, October 19, 1958, in ECMM, No 152.

102 *Ibid*.

103 *Ibid*.

104 Chen Yun, *Hung Chi*, No 5, March 1, 1959, in ECMM, No 166.

105 See Victor D Lippit, "Development of Transportation in Communist China" in "An Economic Profile of Mainland China", n 17, pp 667-70.

106 C Bettelheim, "China's Economic Growth" in *Monthly Review* (New York), March 1959.

107 Wheelwright and McFarlane, "The Chinese Road to Socialism" (New York, 1970), pp 45, 46.

108 Donnithorne, n 13 p 224.

109 Walker, n 30, p 80.

110 Donnithorne, n 14, p 59.

111 "The Thorough Implementation of the Principle of 'To Each According to His Labour' in People's Communes", *Hung Chi*, No 6, March 16, 1959 in ECMM, No 166. Parentheses mine.

112 Donnithorne, n 14, p 79.

113 *Ibid*, p 13.

114 Dutt, n 8, pp 85-86.

115 Donnithorne, n 14, p 62.

116 Franz Schurmann, "Ideology and Organisation in Communist China" (Berkeley, 1970), p 86.

117 Jeremy R Azrael, "Varieties of De-Stalinisation" in Chalmers Johnson (ed) "Change in Communist Systems" (Stanford, 1970), pp 139-40. I have already dealt with the Stalinist model of economic development. Schurmann, n 1, p 189.

118 Schurmann, n 1, p 189.

119 Ygael Gluckstein, "Mao's China" (London, 1957), pp 213-16.

120 R Lowenthal, "Development *vs* Utopia in Communist Policy", in C Johnson (ed) "Change in Communist Systems" (Stanford, 1970), p 61.

121 See T J Hughes and D E T Luard, "The Economic Development of Communist China 1949-1960" (London, 1961), p 39 for a Summary of the objectives of the First Plan.

122 Schurmann, n 1, p 189.

123 Cited in Schurmann, n 1, p 285. See also Gluckstein, n 4, p 293.

124 Lowenthal, n 5, p 79.

125 Cited in Gluckstein, n 4, p 309.

126 Gluckstein, n 4, p 309.

127 See Naranarayan Das, "The Anti-Rightist Campaign in China 1957-58", unpublished doctoral dissertation submitted to Jawaharlal Nehru University (New Delhi, 1972), p 21.

128 Also, by this time collectivisation of agriculture and the nationalisation of industry was complete.

129 *Ibid*, p 24.

130 See John W Lewis, "Leadership in Communist China" (New York, 1963), p 108. The trend was reversed after the establishment of the communes. Lewis, p 109.

131 See Peter Townsend, "Political Participation in Communist China" (Berkeley, Calif, 1969), p 94.

132 See Schurmann, n 1, p 88.

133 *Ibid*, p 198.

134 *Ibid*, p 198.

135 *Ibid*, p 198.

136 *Ibid*, p 189.

137 See the Section entitled, "Decentralisation and the Communes".

138 See Lowenthal, n 5, p 63.

139 For a discussion of the *hsia-fang*

see Rensselaer W Lee III, "The Hsia Fang System: Marxism and Modernisation", *China Quarterly* (London), n 28, October-December 1966.
140 Chang Tse, *Chung-kuo Ching-nien*, No 19, October 1, 1957, in ECMM, No 114.
141 Lee, n 23, p 46.
142 Schurmann, n 1, pp 68-71.
143 Chekiang Provincial Bureau of Labour, *Lao Tung*, No 23, December 3, 1958 in ECMM, No 157.
144 Schurmann n 1, p 71.
145 See Schurmann, n 1, p 100.
146 Lewis, n 14, pp 143-44.
147 Townsend, n 15, p 152.
148 "Constitution of the Trade Unions of China", in *Current Background* (Hong Kong), n 484, December 19, 1957.
149 Quoted in Townsend, n 15, p 98.
150 Editorial in *Red Flag* (August 1958), quoted in Schurmann, n 1, p 479.
151 Franz Schurmann, "China's New Economic Policy — Transition or Beginning", in C M Li, (ed) "Industrial Development in Communist China".

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Indian Peasant Uprisings

Kathleen Gough

Indian peasants have a long tradition of armed uprisings, reaching back at least to the initial British conquest and the last decades of Moghul government. For more than 200 years peasants in all the major regions have risen repeatedly against landlords, revenue agents and other bureaucrats, money-lenders, police and military forces. During this period there have been at least 77 revolts, the smallest of which probably engaged several thousand peasants in active support or in combat. About 30 of these revolts must have affected tens of thousands of peasants, and about 12, several hundreds of thousands. The uprisings were responses to deprivation of unusually severe character, always economic, and often also involving physical brutality or ethnic persecution.

The political independence of India has not brought surcease from these distresses. Major uprisings under communist leadership since British rule not unnaturally show a continuity of tactics with earlier peasant revolts. Of these, the more successful have involved mass insurrections, initially against specific grievances, and the less successful, social banditry and terrorist vengeance. Both in the case of communist revolts and in that of earlier peasant uprisings, social banditry and terrorist vengeance, when they occurred, appear to have happened in the wake of repression of other forms of revolt.

Although the revolts have been widespread, certain areas have an especially strong tradition of rebellion. Bengal has been a hotbed of revolt, both rural and urban, from the earliest days of British rule. Some districts in particular, such as Mymensingh, Dinajpur, Rangpur and Pabna in Bangladesh and the Santhal regions of Bihar and West Bengal, figured repeatedly in peasant struggles and continue to do so. The tribal areas of Andhra Pradesh and the state of Kerala also have long traditions of revolt. Hill regions where tribal or other minorities retain a certain independence, ethnic unity and tactical manoeuvrability, and where the terrain is suited to guerilla warfare, are of course especially favourable for peasant struggles, but these have also occurred in densely populated plain regions such as Thanjavur, where rack-renting, land hunger, landless labour and unemployment cause great suffering.

IN Kilvenmani village in eastern Thanjavur, Tamil Nadu, in 1969, a group of Harijan landless labourers, influenced by the CPI(M), struck for higher wages in view of the increased production and price inflation brought about by the 'green revolution'.[1] Goons hired by their landlords arrived on their street at night, imprisoned 42 men, women and children in a hut and burnt these people to ashes.[2] Again, in Chandwa-Rupaspur village, Bihar, in November 1971, a movement of Santhal tribespeople resisting encroachment of their land was met by landlords' thugs. For Santhals were roasted alive, 10 were shot dead or hacked to pieces, 33 were severely wounded and 45 huts burned down.[3] These incidents and many similar ones have illustrated a process of peasant resistance and landlord reprisals that has intensified in India during the past seven years. Since the Naxalbari uprising in West Bengal in 1967 and the emergence of rebel and revolutionary groups among both townsfolk and peasantry, several peasant struggles have erupted, hundreds of landlords, police and money-lenders have been assassinated, and thousands of peasants have died by violence.[4]

Social movements among the peasantry have been widely prevalent in India during and since British rule. We may define a social movement as "the attempt of a group to effect change in the face of resistance"[5] and peasants as people who engage in agricultural or related production with primitive (palaeotechnic) means and who surrender part of their produce or its equivalent to landlords or to agents of the state. This article is confined to social movements which (a) involved peasants as the sole or main force, (b) were class struggles against those who exacted surplus from peasants and (c) undertook or were provoked to armed struggle in the course of their careers.

Generally, the scope and significance of India's peasant uprisings have been understressed. Barrington Moore, Jr, for example, in spite of acknowledging at some length instances of peasant revolts described in recent Indian writings, concludes that China forms "a most instructive contrast with India, where peasant rebellions in the premodern period were relatively rare and completely ineffective and where modernisation impoverished the peasants at least as much as in China and over as long a period of time".[6] Moore attributes the alleged weakness of Indian peasant movements to the caste system with its hierarchical divisions among villagers and to the strength of bourgeois leadership against the landlords and the British and the pacifying influence of Gandhi on the peasantry.[7] I would argue that peasant revolts have in fact been common both during and since the British period, every state of present-day India having experienced several over the past two hundred years. Thus in a recent brief survey I discovered 77 revolts, the smallest of which probably engaged several thousand peasants in active support or in combat. About 30 revolts must have affected several tens of thousands, and about 12, several hundreds of thousands. Included in these revolts is the 'Indian Mutiny' of 1857-58, in which vast bodies of peasants fought or otherwise worked to destroy British rule over an area of more than 500,000 square miles.[8] The frequency of these revolts and the fact that at least 34 of those I considered were solely or partly by Hindus, cause me to doubt that the caste system has seriously impeded peasant rebellion in times of trouble.

There does seem no doubt that, apart from the Mutiny, peasant uprisings in China usually had a wider geographical scope than those in India. At least since late Moghul times the reasons for this may have included the political fragmentation as well as the diversity of language and culture among India's

people. During the later decades of Moghul rule the country had already disintegrated into a number of virtually autonomous, mutually warring kingdoms and principalities between whose peasants there was little contact. The British conquered India piecemeal over a hundred year period from the mid-eighteenth to the mid-nineteenth centuries. Early revolts against their rule therefore tended to occur at different dates in different regions, although there was inter-regional co-ordination among the largest — for example, those led by Raja Chait Singh in Oudh and other areas in 1778-81, by Vizier Ali in Gorakhpur in 1799, and by the military chiefs (*poligars*) of Madras and Andhra in 1801-5.[9]

Shortly after the British had subdued most of India a huge uprising, widely backed by the peasantry, did sweep over most of Northern and Central India in the shape of the Mutiny, but even in this case resistance tended to be strongest in the areas more recently conquered, while those which had earlier had revolts that had been crushed, played lesser roles.[10]

After the Mutiny, British rule and military preparedness became stronger than ever and the rural upper classes of landlords and princes were either crushed totally or co-opted by the British through concessions. At the same time, political disunity was perpetuated by the division of India into British provinces interspersed with 'native states' having separate judicial systems. Popular action was difficult to organise across these boundaries as well as across ethnic and linguistic lines. Between the Mutiny and Independence, the British government and army were also better co-ordinated than those of China and India was not disturbed by invasions. In these circumstances, politically disunited, under a despotic Central government and opposed by their landed aristocrats, after 1858 peasants engaged only in regional uprisings led by religious figures or by local peasant committees until political parties began to form peasant unions in the 1930s. Even so, some of these revolts were impressive and wrung concessions from the rulers. Since the mid-1930s peasant uprisings as well as non-violent resistance by peasants have usually been at least partly guided by political parties, especially by communists, or else by nationalist and separatist movements of the formerly primitive tribes. In brief, I would argue that the limitations of Indian peasant revolts have sprung more from broader political forces at the level of the province and the colonial and post-colonial state than from the caste system or from peculiarities of village structure. At least two Indian authors have, indeed, argued that the caste system provided a framework for the organisation of peasant rebellions, since in many cases peasants were able to assemble quickly through the medium of their caste assemblies.[11]

When peasant uprisings figure in the British literature, they are often obscured under such headings as "communal riots" between major religions, fanatical religious cults, or the activities of "criminal" castes and tribes. While the armed struggles of peasants *have* often had these characteristics, a large proportion of such movements has also, and primarily, been concerned with the struggles of tenants, agricultural labourers, plantation workers, or tribal cultivators, against the exactions of landlords, bureaucrats of the state, merchants, moneylenders, or their agents, the police and the military.

The Colonial Background

Information is limited about peasant uprisings and other forms of violence against the rich and powerful in remote pre-British times. Whatever the earlier record, revolts broke out in many areas during the seventeenth and eighteenth centuries, as the Moghul bureaucracy became more oppressive and exacted harsher taxes, as commercial relations penetrated the countryside, and as local rulers made increasing incursions into tribal hill territories.[12] Prominent among the peasant rebellions against the Moghuls were those of the Jats of the Ganges-Jamuna region from the 1660s to 1690s, and of the Satnami religious sect in Narnaul in 1672. In some, but not all, of the revolts against the Moghul power, peasants placed themselves under the leadership of local princes or land managers (zamindars) who rebelled because the imperial land revenue pressed so heavily on the peasants that there was little left for these local dignitaries. In the eighteenth century, the rapid expansions of Sikh and Maratha power and the growth of Thuggee bands in the heartland of the empire owed much to the fervent support of peasants suffering under Moghul revenue exactions.[13] Outside the empire, peasant opposition to encroaching royal authority in the eighteenth century was instanced in the revolts of the Maomoria movement against the kings of the Assam velley,[14] and in south India, in the resistance of the Kallar (literally, "Robber") tribespeople against the efforts of the rulers of Ramnad and Madura to extract taxes from them in traditionally independent hill regions.[15]

As it spread gradually throughout India, however, British rule brought a degree of disruption and suffering among the peasantry which was, it seems likely, more prolonged and widespread than had occurred in Moghul times.[16] The effects of British rule came, of course, unevenly and in stages, but once operative, they created a structure of underdevelopment in the Indian countryside which became endemic, and which has been modified but never eradicated since Independence. Although I cannot analyse this structure in detail here, the following seem to me to have been the major changes that have affected Indian peasants during the 200-odd years between the beginning of British rule and the present time.

1. The early decades of rule by the East India Company saw outright plunder of the country's wealth coupled with ruinous taxation of the peasantry, in some areas up to twice that imposed by the Moghuls. These no doubt contributed to the Bengal famine of 1770 in which a third of the people died. The collection of heavy revenues was subsequently regularised in the Permanent Settlement of Bengal, Bihar and Orissa in 1793 and in comparably harsh settlements in other regions. Revenues in the early decades were used chiefly for government expenses, wars, private fortunes, remittances to Britain and public works designed to increase imperial trade.[17]

2. In later decades, land revenue declined to a much smaller proportion of the crop than was exacted by the Moghuls, but by that time surplus was being removed from the peasants by other kinds of agents such as moneylenders, non-cultivating intermediary tenants, landlords, merchants, the new professional classes such as lawyers, and particularly, although less directly, by British firms engaged in export crop farming, banking, shipping, exports and imports, and internal trade.[18]

3. The British land settlements for the first time made land private property of a capitalist kind. The new landlords included zamindars who had previously been revenue collectors under the Moghuls, a variety of princes or subordinate rulers, village headmen, military tenants, religious or secular functionaries of former governments, in some cases peasant cultivators who had hitherto merely leased land under customary regulation, and in other cases merchants or moneylenders who bought land rights, along with the right to collect revenue, in government auctions when previous revenue collectors proved unable to bring in the tax. While such persons gained private landownership, the lower ranks of cultivating tenants, village servants, and serfs lost their hereditary rights to work and to share the produce of village lands, and could be evicted if their landlords found them unnecessary, recalcitrant or unable to pay their rents.

4. During and since British rule, there has been increasing encroachment on tribal hill territories and oppression of tribespeople by European and Indian planters, by government usurpation of forest areas, by landlords, merchants, and moneylenders from the plains, and by government agents. To the loss of large tribal areas was added exploitation in such forms as rack-renting, unequal terms of trade, usury, corvee and even slave labour, and the obligation to grow cash crops for little or no return.[19]

5. The British effected a reduction in the scale of at least some Indian handloom and handicraft industries, especially those for the production of luxury goods, through discriminatory internal and external tariffs. Such measures virtually destroyed India's export of manufactured goods and also obliged Indians to buy British industrial manufactures, notably cotton textiles.[20] Reports indicate that centres of manufacture such as Dacca and Agra, as large or larger than London in the mid-eighteenth century, shrank as a result of these and other British policies to a fraction of their former size.[21] Craftsmen deprived of their livelihood were driven back upon the land as tenants or landless labourers or joined the modern urban lumpen proletariat. Peasants had to sell their produce for cash, often to moneylenders in return for advance loans, in order to buy imported goods as well as to pay rents and revenues.

6. On balance, India was plundered through the export of capital to Britain by such methods as the repatriation of profits and salaries, debt services for colonial wars and public works, "home charges" and adverse terms of trade with respect to raw materials exported from India and to imported manufactured goods.

7. In many regions various means were used to encourage or compel cultivators to grow industrial crops, and even food crops, for export. In addition to highland plantations for tea, coffee, cinnamon, and later, rubber, large areas of the plains were at different periods turned over to indigo, opium, cotton, oilseeds, jute, pepper, coconuts, and other export crops.[22] Landlords and local merchants profited from their sales to British export firms, and brought pressure on peasants to grow them in their roles as wage labourers, serfs, tenants or indebted smallholders. Despite the expansion of the total cultivated area, the production of export crops reduced the area available for subsistence farming in at least some regions such as Kerala.

8. Speculation and investment in land by merchants, bureaucrats, landlords, and successful cash crop farmers made land sales increasingly common. The growth of absentee landlordism and of cultivation for private profit meant that traditional paternalistic relations of landlords and their tenants were disrupted in many villages, and that tenants were disrupted in many villages, and that tenants and labourers were exposed to new and more alienating forms of exploitation, resulting in greater resentment on their part.

9. Population increase occurred, especially after 1921, as modern medical supplies and services reduced epidemics and infant mortality. Thus, the population of former British India more than doubled between 1891 and 1951. At the same time, industry developed very slowly, so that there came to be too many villagers for a palaeotechnic agriculture to feed adequately and large-scale unemployment or underemployment in the villages. In India as a whole, per capita agricultural output declined between 1911 and 1947.[23] Some of the consequences of 'agricultural overpopulation' were fragmentation of landholdings leading to dwarf-tenancies; competition for land among share-croppers and other tenants, which encouraged rack-renting; moneylending and chronic rural indebtedness; and the growth of debt bondage in some areas and of poorly paid day labour in others. Although the data are imperfect, it seems probable that there has been, both during and since British rule, a decline in the proportions of landlords, rich peasants and middle peasants and an increase in the proportions of poor peasants and landless labourers.[24] Today, India has everywhere overburdened villages and underemployed and ill-nourished villagers.[25]

10. From the 1850s with the building of the railways, the increased movement of goods and people had profound effects. It further undermined the unity and self-sufficiency of villages. The modern transport of foodgrains reduced the danger of severe regional famines; at the same time, by permitting grain stocks to be removed from prosperous areas it appears to have allowed the growth of chronic malnutrition throughout the country. Concomitantly, however, modern transport fostered the movement of ideas between town and country and created links between urban and rural people. Such links strengthened the Indian nationalist movement led by the bourgeoisie; they also permitted a degree of unity between peasants and urban workers in the more recent revolts.

11. The most brutal feature of the British period was the famines.[26] There were serious regional famines before British rule, notably in the Deccan in 1630-32 and in 1702-4. It seems certain, however, that the famines of the British period were more frequent. Thus, 14 major famines are known to have occurred between the early eleventh and the late seventeenth centuries. During the period of government by the East India Company, by contrast, in addition to the catastrophic Bengal famine of 1770, there were twelve serious famines and four periods of acute scarcity before the Mutiny of 1857, while Indian peasants were being tormented by excessive revenue exactions. Still more devastating famines followed the Mutiny. The worst occurred between 1865 and 1899, and the most severe of all in 1896-97, when 97 million were seriously affected and at least 4.5 million died. Another 650,000 died in 1898, and a further 3.25 million in 1899. In the famines of the 1860s the principal victims were landless labourers and unemployed weavers, but by 1900 tenant cultivators formed the largest category employed in government relief works during famines in the Deccan and Gujarat, while landless labourers formed the next largest category, and weavers were still prominent. The data suggest that by the end of the century tenant cultivators had no reserves left and that in famines they suffered almost equally with landless labourers and with artisans thrown out of work by British industrial policies. Using figures collected by Bhatia, and selecting only those which record the deaths of more than 100,000 people in any single famine year and region, I have calculated a total of 20,687,000 famine deaths in India between 1866 and 1943. Because of the omission of smaller figures this is undoubtedly far too low.

Probably thanks to improved transportation, there was no very large famine between 1908 and 1943, when the stoppage of rice imports from



Burma by the Japanese invasion, coupled with hoarding and speculation, produced the Bengal famine in which 3.5 million died. Since 1947 no catastrophic major famine has occurred in India proper (as distinct from Bangladesh), but unknown millions annually die untimely deaths as a result of illness compounded with chronic malnutrition. A United Nations report of 1963 charged that five million Indian children still died of malnutrition each year.[27] Severe shortages occurred in 1964-66, and since 1971 the situation has become increasingly critical, with famine deaths, suicides by starving people, food riots and other forms of agitation in many parts of India.

Since Independence, and especially since 1954, foreign food loans have augmented India's food supply, but have also helped plunge the country hopelessly into debt.[28] India's own food production has roughly doubled since Independence. This is no mean achievement, but even when combined with foreign imports the increase is barely adequate to meet the needs of a population which grew from 356 million in 1951 to 556 million in 1971. When combined with hoarding, speculation and widening inequality in incomes, it is not at all adequate.

12. Since Independence, land reforms have removed some of the biggest landlords — the zamindars — and some of the non-cultivating intermediary tenants, but in general laws on land ceilings have been evaded.[29] Before and after each act, landlords have evicted numerous tenants on the grounds that they needed the land for "personal cultivation" and have created new paper owners' to conform with the acts while leaving the real control undisturbed. At least in some areas, therefore, land reforms have resulted in an increase in the proportions of poor peasants working part-time for wages, of landless labourers, and of both rural and urban casual workers and unemployed.[30]

13. During 1965-71 the 'green revolution' increased productivity in some regions. Reports indicate, however, that it tended still further to polarise agricultural incomes, for it enriched the larger owners while tenants and labourers gained little or none of the increase during a period in which they were also being affected by generalised inflation. As farms are consolidated and operate as industrial capitalist enterprises, the green revolution dispossesses some tenants, disemploys some landless labourers and drives out of business small farmers who cannot afford the new technology and cannot compete.[31] In 1972-74, moreover, the gains of the green revolution have for the most part been wiped out by seasonal drought and flooding or, most recently, by shortages of fertilisers.

The above conditions form the background of agrarian revolt from the late eighteenth century until the present. Directly or indirectly, all of them have been either created or severely exacerbated by British colonial policies or by the policies of the Indian government, under the influence of imperialism, in the post-colonial period.[32]

Types of Peasant Uprisings

Seventy-seven revolts, including the Mutiny, were considered in preparation for this article. Eight of them occurred in East Bengal (present-day Bangladesh); as it happened, none were selected from regions lying in present-day Pakistan. The East Bengal revolts help to illustrate general processes at work in British India. This paper does not cover agrarian unrest in what became East Pakistan and later, Bangladesh; it is evident, however, that there have been peasant uprisings there since the end of British rule, especially during the invasion by Yahya Khan's forces in 1971, and revolutionary movements based on peasants are continuing there.[33]

A rough classification of the revolts during British rule yields five types of action in terms of goals, ideology and methods of organisation: (1) Restorative rebellions to drive out the British and restore earlier rulers and social relations; (2) religious movements for the liberations of a region or an ethnic group under a new form of government; (3) social banditry (to use Hobsbawm's term);[34] (4) terrorist vengeance, with ideas of meting out collective justice; (5) mass insurrections for the redress of particular grievances.

The first and second of these types are transformative, in the sense that they sought from the beginning — and sometimes briefly achieved — a large-scale restructuring of society.[35] Restorative revolts were, however, backward looking, whereas India's religious peasant movements have been 'nativistic' in combining traditional cultural elements and values with new themes, sometimes derived from the oppressing groups, in a utopian vision of a Golden Age. The third, fourth and fifth types are initially reformative in the sense that they aim at only partial changes in society. Both the third and the fifth types have, however, sometimes become transformative and have led to the seizure of a liberated zone. The fourth type, terrorist vengeance, can take place sporadically and spontaneously with little or no organisation; it has probably occurred thousands of times in all parts of the country in the form of small outbursts of retaliation against landlords, moneylenders, etc. Occasionally, however, terrorist vengeance seems to develop into an organised movement, sometimes involving a religious cult; it is also usually present to some degree in all of the other four types. Religious movements (type 2) are thus not completely confined to attempts to liberate an ethnic group or a region: some bandit groups, indeed, have special religious cults, as well as some terrorist movements, and both restorative rebellions and insurrections have usually been regarded as sanctioned by 'normal' religion. The religious movements for liberation are, however, a sufficiently distinctive group, bearing messianic and millenarian messages, to be placed in a separate category. Finally, both messianic religious movements and agitations for the redress of special grievances have, of course, occurred very frequently in non-violent forms; but this paper deals only with armed revolts, or (in two or three cases) with armed movements which engaged in forceful action without actually resorting to fighting.

Since the mid-1930s peasant unions have been organised by a variety of socialist and social democratic groups and since the mid-1940s several armed peasant uprisings have occurred under communist influence. Some of these outbreaks took place in regions already shaken by peasant uprisings in the British period — notably, in Bengal, in various tribal hill regions and in Kerala. With modifications, the communist-inspired outbreaks have partaken of the character of types 3, 4 and 5, coupled with a consciously revolutionary and transformative ideology having some elements akin to type 2. There have thus been continuities as well as changes between the earlier revolts and the modern communist ones. The most significant changes have, of course, been the attempt at leadership by a vanguard political party, together with the possession of a view of world history, an analysis of India, a strategy of revolution and a plan for the nation state at large, derived from the theories of Marx and Lenin and, more recently, of Mao Tse-tung.

The goals and methods of those engaged in revolt varied with their circumstances. Although no neat correlations are evident I shall suggest some

connections between contexts and types of revolt. All of the revolts seem to have occurred under conditions of relative deprivation,[36] that is of deprivation considered outrageous by comparison with the past or with the condition of others in the present. All of them embodied ideas of freedom from undue economic exploitation or deprivation; of some form of collective independence from a domination conceived of as foreign and unjustified; and of a just social order sanctioned by some religious faith or all-embracing modern ideology, especially that of Marxism. It is true of course that Marxism differs from religious belief in its denial of the supernatural, and that the work of Marx and his successors points a way towards non-dogmatic, scientific analysis of social phenomena. As a political ideology, however, especially when translated into the language and concepts of peasants, Marxism has similarities to religious movements in that it purports to offer a complete explanation of society and especially of social evils, and in that parts of the explanation are accepted on faith. Marxist movements are also dedicated to a future state of ethical virtue, providing new relationships for a 'blessed community'. Finally, as in chiliastic religious movements, its followers are ideally willing to sacrifice their lives to bring this state about. Contrary to Cohn,[37] I do not regard these qualities as undesirable in times of oppression, nor as necessarily linked with lack of realism or with collective paranoia.

Restorative Movements

Between 1765 and 1857 a large proportion of revolts were led by Hindu or Muslim petty rulers, former revenue agents under the Moghuls, tribal chiefs in hill regions and local landed military officers (*poligars*) in south India. They were supported by masses of peasants and sometimes of former soldiers. The revolts were either against the conquest itself and the imposition of heavy revenues on existing nobles, or retaliatory attempts to drive out the British after they had dispossessed a zamindar or a raja for failing to pay the revenues and had replaced him with some other claimant to the estate, with a Company officer, or with a merchant, moneylender or adventurer who had bought the estate at auction. The goals of these revolts were complete annihilation or expulsion of the British and reversion to the previous government and agrarian relations. The peasants were not blind loyalists. Their own grievances were bitter, for in their efforts to squeeze out the revenue the Company's officers often completely pauperised the peasants or had them starved, flogged or jailed.[38]

Twenty-nine revolts involving peasants as the main force were counted for this period, 12 by tribal chiefs and 17 by Hindu or Muslim rulers or other former officials.[39] Six took place in Bengal, five in Bihar, three in Assam and 15 in central and south India. The enemies in these rebellions included all British officials and troops, British plantation owners, revenue agents, pro-British landlords, moneylenders, and police. Rebel armies of peasants and former soldiers holed up in forts, in the forests, or on hill tops with stocks of grain, and from there made forays in bands of a few hundred to several thousand, robbing and killing officials, looting and burning treasuries, plundering merchant boats or the homes of landlords and moneylenders, and ambushing or fighting off police and troops with matchlocks, knives, swords, or bows and arrows. All of the movements involved several thousand armed rebels and supporting populations of tens or hundreds of thousands. The largest rebellions produced alliances of nobles in several districts, peasant insurrections over wide areas, the capture of towns and the temporary expulsion of the British from one or more local government centres.

Among these major uprisings were the revolt of Raja Chait Singh and other Hindu and Muslim zamindars of Oudh in 1778-81; the subsequent revolt of Vizier Ali, the deposed Nawab of Oudh, in Banaras, Gorakhpur and surrounding areas in 1799; the massive uprisings of the *poligars* and their peasants in Tinnevelly, North Arcot, and the ceded districts of Andhra in 1801-5; the uprising of the Chuar tribesmen of Midnapore in 1799;[40] the revolt of the Pazhassi Raja, which commanded tens of thousands of guerilla fighters and affected most of the population of Malabar in 1796-1805; and almost immediately afterwards, an insurrection further south in Travancore and Cochin by Velu Thampi, the prime minister of Travancore state, with professional army of 30,000 and even larger numbers of cultivators. The last of these major rebellions before the Mutiny was the famous Santhal tribal revolt of 1855-56, involving a peasant army of between 30 and 50 thousand, village assemblies in groups of 10,000, and tens of thousands of government troops. All these revolts were, of course, eventually crushed by the British. Some rebel leaders fled into banditry or, very rarely, were reinstated with less exacting revenue settlements. More commonly they were wiped out with exemplary savagery; Velu Thampi was hanged publicly after his death. The Pazhassi Raja was executed and his lineage dispossessed; his palace was razed and a road built over the site. After a few of the revolts the revenue exactions on the peasants were reduced, but more often 'pacification' was brutally effected. Half the Santhal army was murdered and the victors randomly flogged or imprisoned peasants as examples to others. The Oudh revolt of 1778-81 ended with the zamindars' forts destroyed, their owners expelled into banditry and fierce plunderings and revenue exactions in the countryside which led to the famine of 1784.

The largest restorative rebellion was, of course, the 'Mutiny' of 1857-58. Begun by Hindu and Muslim soldiers in revolt against their conditions and against offences to their religions, it engaged millions of impoverished peasants, ruined artisans, dispossessed nobles, estate managers, tribal chiefs, landlords, religious leaders (Hindu, Muslim, tribal and Sikh), civil servants, boatmen, shopkeepers, mendicants, low caste labourers and workers in European plantations and factories. The leaders included rajas and nawabs with the emperor of Delhi as figurehead, native gentry, tribal chiefs and village headmen some of whom set themselves up as kings. The revolt was not centrally co-ordinated, but leaped from district to district throughout most of northern and central India and inspired scattered uprisings in the south.[41] The racism of the conquerors, their insults to religion, their eviction of rulers and managers, and above all their ruination of agriculture and manufactures, combined to provoke an anti-imperialist cataclysm. For the peasants, years of rack-renting, famines, high prices, tariffs, debts, land seizures and physical brutality were the main grievances; for the artisans, loss of livelihood; for the workers, low wages and sub-human conditions; and for the hill chiefdoms, incursions, taxes and loss of land. The prime enemies were of course the British government, military and planters, the big 'loyal' princes who allied with them, the revenue officers, the wealthier merchants and the moneylenders. The revolt raged most fiercely in areas which had been conquered after 1800, for example, Oudh (conquered in 1856), Chota Nagpur (1831-33), Jabalpur (1818), Nagpur (1854), Jhansi (1853) and Berar (1853-60). Bengal, Orissa, the ceded districts of Andhra and Madras, Kerala, Mysore and Bombay, which had been conquered earlier and had already undergone rebellions and repression, played lesser roles.

In the heart of the rebel area mass insurrections of armed peasants, in addition to the mutinying troops and the private armies of rulers, combined to massacre the British and to destroy government buildings, revenue and court records, coffee and indigo plantations and factories, telegraphs, railways and churches — in short, every organ of British rule. The war was a holy war, so announced repeatedly by rulers and religious leaders, but it was also most interestingly a war in which Hindu and Muslim, tribesman and Sikh, explicitly foreswore mutual enmity and combined in defence of their own and each others' customs and honour against infidel conquest and oppression. Contrary to standard British accounts, it seems to have come within an ace of ending the Company's rule.[42] It failed, apparently, because it did not spread to all of India and was not centrally co-ordinated (as was the British government and army), and because, spreading at different dates from region to region, the rebellion lost some strongholds, in particular Delhi, before it could properly take hold in others. Nevertheless, for several months it raged ever a 500,000-square-mile region in which the peasantry, including the lowest castes and the landless labourers, formed the backbone of resistance.

Religious Movements

After the failure of the Mutiny and the annexation of India by the Crown, rebel princes and chiefs were for the most part executed, driven into exile, or co-opted by the government. Tribal chiefs played a part in some of the later uprisings and also some religious leaders with claims to royal or noble descent. In general, however, peasant rebels from the Mutiny to the 1930s joined bandit troops, engaged in insurrections under their own committees or local popular leaders, or else took part in movements for local liberation under charismatic religious leaders. A number of such religious movements had already occurred before the Mutiny.

Hobsbawm,[43] Cohn,[44] and Worsley[45] have suggested that millenarian movements were rare or absent in India and the view is widespread that they stem usually from Judaeo-Christian origins or influences. In the strict sense of belief in a thousand year period in which the Evil One will be chained, this is probably true, but most writers give a wider meaning to millenarian. Cohn cites five characteristics: such movements are collective; they look forward to a reign of bliss on this earth; the transformation from the present evil age is to be total; it is imminent, its followers waiting in "tense expectation of the millennium"; and it will come about by supernatural means.[46]

In this sense, a number of millenarian movements have arisen among Hindus, Muslims and tribal peoples in India over the past two centuries and probably earlier, although their prevalence has until recently been overlooked by researchers. Stephen Fuchs' "Rebellious Prophets: A Study of Messianic Movements in Indian Religions"[47] describes more than 50 movements with messianic and millenarian overtones. All had divine or prophetic leaders who were believed to possess supernatural powers and looked forward to a terrestrial state of righteousness and justice in which their enemies would be removed or defeated. Most were transformative rather than reformative in their expectation of a sudden, total change, and most believed the Golden Age to be imminent and subject to some kind of supernatural intervention.

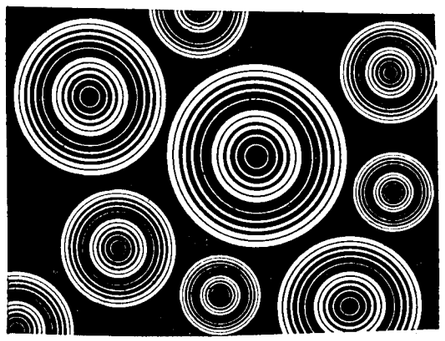
Fuchs records 19 such movements among peasants which resorted to armed struggle against the British and against those familiar foes, the landlords, merchants, moneylenders, revenue agents and other bureaucrats, troops, and police. The Moplah (or Mappilla) revolts of Malabar which took place between 1836 and 1896 — actually 22 in number and varying somewhat in ideology — are here counted as one further instance, for a total of twenty.[48]

Of these 20 revolts involving armed struggle, 10 occurred among tribal peoples and 10 among predominantly Muslim or Hindu populations. 10 arose before the Mutiny and 10 afterwards. Four of the non-tribal movements occurred in Bengal, one in Gujarat, one in Maharashtra, one in Malwa, one in Patiala, one in Kerala and one in Assam. Six of the 10 non-tribal movements were Muslim and only four predominantly Hindu, although most of the tribal peoples were affected by Hinduism as well as Christianity and a few by Islam. It is probable that other millenarian revolts may yet come to light among the Hindu peoples of various regions; certainly, there were some non-violent Hindu millenarian movements.[49] At present it seems, however, that tribal and Muslim minorities, especially in eastern India, were those most liable to violent uprisings of a millenarian kind.

If this is true, I suggest that fervent chiliastic movements may be most likely to arise among cultural minorities who have lost their customary security, occupations or statuses and have suffered unusual deprivation by comparison with their own past and with those around them.[50] This would apply particularly to the Muslim cultivators of Bengal and Kerala who suffered acutely, often under Hindu landlords, both as rack-rented or evicted peasants, and as religious groups who were hated by those in authority because their co-religionists had earlier wielded political power. I would also apply to the tribal peoples, who, more than most groups in India, suffered incursions, loss of land, swindling, bankruptcy, and the undermining of their culture by literate and technologically superior invaders, both British and Indian. It is noteworthy that the Hindus who have joined religious movements with an egalitarian and millenarian flavour, for example, the Vaishnavite Maomorias of Assam in 1769-1839 and the followers of the Bengal Sanyasis in the late eighteenth century, were also predominantly low caste or of tribal origin, suffering unusual deprivation from evictions, famine, and excessive rents or revenues.[51]

It seems likely that the more hopeless the real prospects of the religious movement and the fewer its means of practical rehabilitation or redress, the greater the tendency to seek an imminent millenarian outcome through non-empirical means, and to invest the leader with marvellous, indeed magical, powers. Thus five of the 19 movements studied were classically millenarian in character, waiting in tense expectation of imminent deliverance, chiefly by supernatural means. These movements included the early movement of Moplah tenants in the 1830s to 1850s led by the Mambram Tangal,[52] the Naikda tribal movement in Gujarat under the Hindu religious leader Joria Bhagat in 1867-70,[53] the Munda tribal movement under Birsa in the 1890s,[54] and the Bhil tribal movement under Govindgiri, a tribal convert to Hinduism, in 1900-1912, following a severe famine in 1900. The Bhil groups of the Panch Mahals and the Naikdas, both of whom probably number fewer than 10,000, came to believe that their leader was himself an incarnation of the supreme deity (Parameswar or Siva among the Naikdas and Vishnu among the Bhils). Both groups thought that their divine leader would deliver them from British

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rule and establish an independent, ethical tribal kingdom, which the Naikdas called *dharmraj* (kingdom of virtue), a Hindu term. The Muslim Moplah tenants, suffering from rack-renting, evictions and famine with the spread of cash crop farming and the disruption of their formerly stable tenancies,[56] were taught by the Tangal that if they would give up cultivating, pray diligently, and organise for battle, a ship bearing arms and modern equipment for 40,000 men would miraculously appear on the horizon and the British would be driven out of Malabar — a clear case of a millenarian cargo cult. Birsa received teaching from both Lutheran missionaries and Hindu ascetics but then reverted to his Munda religion, bringing with him beliefs and images from both major faiths. He taught the Mundas first that he was a divinely appointed messenger come to deliver them from foreign rule, and later that he was an incarnation of God (Bhagwan) himself. His mission was to save the faithful from destruction in imminent flood, fire and brimstone by leading them to the top of a mountain. Beneath them, all the British, Hindus and Muslims would perish, after which a Munda kingdom would be ushered in.

Although their religious predictions failed, all of these movements organised such numbers of fervent followers that they took instead to empirical means and made armed attacks on their oppressors. Birsa assembled a force of 6,000 Mundas armed with swords and bows and arrows, some of whom burned Hindu temples and Christian houses and churches, killed a constable and were finally defeated in battle by government troops. Joria's followers were organised for revolt by Rupsing Gobar, a rebel leader who actually founded a Naikda kingdom, collected revenues, and sacked two nearby police stations before his army was subdued by British forces. Govindgiri collected an army in the Mangarh hills in 1911 and plundered the surrounding Hindu and Muslim landowners, but was conquered by state troops and British artillery. Bands of Moplah devotees numbering from three hundred to several hundred, chiefly tenants facing eviction, carried out 22 uprisings over a period of 60 years in several talukas of Malabar, in which they assassinated numerous police, government officials, Hindu landlords and British and Indian troops. Faced with insuperable odds, but driven to frenzied action by continuing economic misery, the Moplah movement became sustained by a redemptive ideology. It was believed that the rebels, having first purified themselves by religious ceremonies, would gain instant salvation by assassinating their British and landlord oppressors until they themselves fell in martyrdom.

All of the religious movements believed in a coming realm of righteousness and invested their leaders with supernatural powers, but the more powerful ones seem from the beginning to have relied chiefly on their own efforts to usher in the new society. These movements were especially prominent during the famines and harsh exploitation of peasants in the early decades of Company rule in Bengal. They included the Muslim Maulvis under Titu Miyan, who spread over Barasat, Nadia, Faridpur, Jessore and Calcutta regions in 1827-31; the Muslim Pagal Panthis, converts from the Garo and Hajong tribes, under Tipu Shah in northern Mymensingh in 1824-33; and the Muslim Faraizis of Bogra and Faridpur in 1838-51. All of these movements attracted tens of thousands of rack-rented and evicted peasants, recruited armed bands of many thousands, and strove to drive out their Hindu landlords and British rulers and establish a reign of Islamic righteousness. Tipu Shah and Titu Miyan conquered large territories, set up administrations and levied tribute from the landlords. Dudu Miyan, the Faraizi leader, ran a parallel administration to that of the British from Bahadarpur in East Bengal, which he divided into circles of villages under deputies. Each deputy settled disputes among the tenants, forced Muslims to convert to the Maulvi sect, and protected cultivators from the zamindars' excesses through a mixture of litigation and armed intimidation. The British defeated Tipu Shah and Titu Miyan in battle and imprisoned Dudu Miyan in Alipore jail — a site of confinement and ill-treatment of revolutionary prisoners down to the present day.[57]

Social Bandits

Five of the revolts studied are best classified by Hobsbawm's term "social banditry". They are the Thuggee of north and central India of 1650-1850 or later,[58] the Sanyasis and Fakirs of Bengal in the late eighteenth century,[59] the dispossessed military chief Narasimha Reddi and his followers in Kurnool, Andhra Pradesh, in 1846-47,[60] the tribal Lodhas of Midnapore, who became a 'criminal caste' in the nineteenth century after being evicted from their homelands,[61] and the tribal Kallar of South India, some of whom operated as bandits from their hill country in Madura into lowland Madura, Pudukottai and Thanjavur in the late eighteenth to the twentieth centuries.[62] These groups form only a small proportion of the large numbers of peasants, tribesmen, disinherited landlords and disbanded soldiers who turned to part-time or full-time banditry in the eighteenth and nineteenth centuries when they were deprived of their livelihood, evicted from their homelands, or squeezed in their tribal territories.

The Thuggee were the most colourful and numerous of Indian bandits, the best of them combining a rather distant millenarian prospect with a certain Robin Hood gallantry and a genius for swift assassination. They arose about 1650 in the area between Delhi and Agra and multiplied in late Moghul times as revenue exactions became harsher. During British rule they spread throughout Bihar and into Oudh, Bengal, Orissa, Rajputana, the Punjab, Mysore and the Karnatak. Operating in bands of about a dozen, they left their home villages periodically and waylaid wealthy travellers many miles away, decoyed them by stealth and then strangled them with yellow scarves, robbed them and buried them. Precisely what was done with the booty is unclear, but in some cases at least the Thuggee must have shared it with their fellow villagers, for they had the peasants' loyalty in their own territories. Thuggee were recruited from outlaws of the state, peasants and disbanded soldiers — chiefly from the most oppressed classes of their regions. Each band customarily contained members of several Hindu castes, Muslims, and in the Punjab, Sikhs. Band members observed normal social distinctions in their own communities but ate, smoked and drank together on their outings. They were initiated into a movement devoted to the service of their goddess, seen as Kali by the Hindus and Fatima by the Muslims, by whom they believed their order to have been created so as to root out evil beings and save humanity from destruction. As in the case of the Moplahs and no doubt most of the other armed religious movements, rites of dedication and purification preceded each assassination. Thuggee were forbidden by their religion to kill women, children, youth, Hindu and Muslim holy men, carpenters, poor people, beggars, bards, water-carriers, oil-vendors, dancers, sweepers, laundry workers, musicians and cripples — in short almost every productive or defenceless category in the population. They confined their

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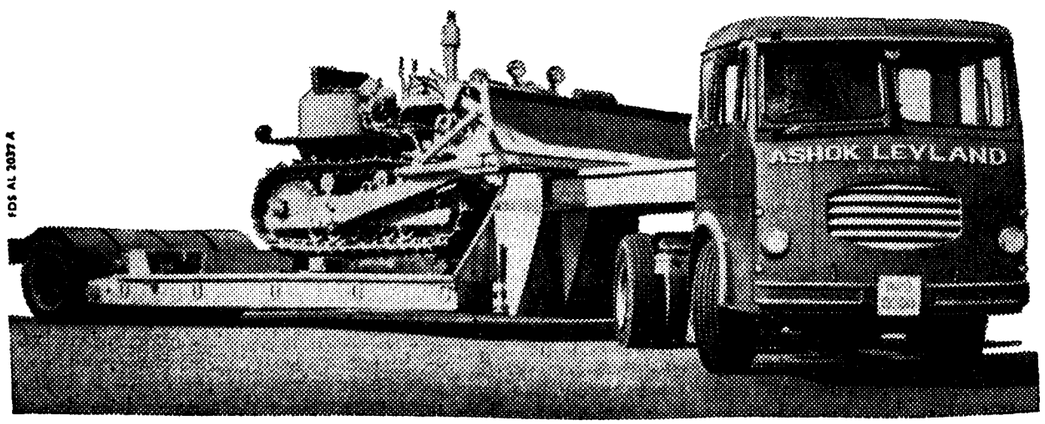
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assaults chiefly to merchants, soldiers, money-carriers and servants of the Company. They are reported to have assassinated more than a million people and plundered many millions of rupees.

The Thuggee, like the Kallar, the Lodhas and many other tribes who raided rich plainsmen when their lands were invaded, must be classed as reformative, since they sought not a liberated kingdom but only short-term relief for themselves and their fellows, and believed only vaguely in a Golden Age hereafter. The Sanyasis and Fakirs became, however, a transformative movement and for a short time a highly successful one. These religiosi were originally peasants, evicted and made homeless during the wars, depredations and revenue exactions of the East India Company and various rival Indian princes in the late eighteenth century. They first formed bands of Hindu and Muslim holy men and survived as mendicants. As their numbers swelled in the great famine of 1770, they gathered together with disbanded soldiers and dispossessed zamindars, formed bandit troops and scoured the countryside, raiding the grain stocks and treasuries of the wealthy and distributing them to the starving peasantry.[63] In trying to consolidate its rule the Company met with a large Sanyasi and Fakir rebellion in 1771 between Rangpur and Dacca which defeated a company of sepoys and killed the commander. Bands of five thousand to seven thousand bandits then spread over most of Bengal and eastern Bihar, set up an independent government in Bogra and Mymensingh and almost wiped out another British detachment in 1773. Further frequent encounters took place between the Sanyasis-Fakirs and British forces all over West Bengal and Bihar until the movement finally disintegrated about 1800; according to Stephen Fuchs, its survivors are believed to have migrated to join the Marathas in their wars against the British.

The militant religious movements discussed in type 2 strove for the liberation of an ethnic region — both from the British and from 'foreign' Indian predators and invaders — and for the establishment of a divinely ordained kingdom of righteousness and justice. They arose among severly exploited minorities most of whom, nevertheless, remained in their home territories and were numerically preponderant within a region. Many bandit movements resembled the ethnic religious movements in possessing special religious cults, charismatic leaders and a belief that their struggles would eventually release the world from pain. Bandits apparently differed from local religious movements for liberation, however, in being recruited from displaced or outcast groups and individuals — disbanded soldiers, unseated nobles, evicted peasants, unemployed artisans, outlaws of the state although not necessarily of the local community, and those who had lost all through war or famine. They were thus men who, although they might maintain a home or shelter in their villages, had no livelihood except plunder and were free to roam far afield. Alternatively, bandits arose part-time among tribal peoples squeezed by plains invaders and by the government, who could combine vengeance with predation by raising plains' landlords from their own base areas.

Being foot-loose, bandits had great adaptability and therefore an ambiguous status in the larger society. As Hobsbawm stresses, only some of them, probably a minority, were "social bandits", that is engaged essentially in class struggle and concerned with the interests of the poor from whom they sought protection and with whom they shared their loot.[64] Many bandit groups, including some Thuggee, served as mercenaries for established landlords and princes as well as for dispossessed rebel nobles or for adventurers seeking fortune and political power.[65] Others served religious messiahs bent on driving out the British.[66] The Kallar of Madura exemplify the diverse potentialities of bandits. Having fought unsuccessful wars to maintain their tribal lands tax-free from the Nayak rulers of Madura and the British in the mid-eighteenth century, some Kallar became bandits (perhaps "social") who robbed merchants and officials on the high roads out of Madura. Others hired themselves as mercenaries to the Maratha Raja of Thanjavur. After British rule became established around 1800, bandit troops from Kallar settlements of both Madura and Thanjavur became cattle thieves operating among high caste rich peasants and landlords of these districts. In their attempts to reduce cattle losses, the plains landlords even appointed single families of Kallar as watchmen (*kavalgar*) in their villages. These collected annual bribes from the villagers on behalf of bandit groups to ward off the bandits' predations, or when cattle did disappear, arranged their ransom.[67] The system persisted in western Thanjavur as late as 1953. The Kallar *kavalgar* of one village where I worked had earlier murdered his cousin in a family dispute and had served sentence in the Andaman Islands. On his return he came to live in his wife's village which belonged to Brahman landlords and obtained the post of 'watchman' there. At that date, small groups of youth of Kallar communities long resident as tenants in Thanjavur villages still engaged in plundering landlords and rich peasants through cattle thefts, highway robberies and thefts from grain carts far from home in the famine season and shared their loot with their kinsfolk. Their untouchable servants of the Palla (landless labourer) caste, specially trained in dacoity, sometimes assisted them. Two miles from my place of work lived a famous (but retired) Palla multi-murderer who told wonderous anecdotes. His neighbours protected him with amused pride as a kind of village marvel.

When whole regions were ravaged by famine or excessive revenue exactions, bandits sometimes led ordinary peasants in driving out the rulers and landlords, as in the Sanyasi and Fakir rebellion. The relationship of peasants to these liberators seems, however, to have been characteristically uneasy. During the Bengal famine of 1769-70 a third of the villages of Birbhum and Bishnupur districts were wiped out, yet the Company still further increased its revenue demands by twelve per cent between 1770 and 1776. Thousands of peasants ruined by famine or rack-renting scoured the countryside as bandits and in 1787 and 1788 sacked the Bishnupur treasury, carrying off more than three thousands sterling pounds' worth of silver.[68] In November 1789 the peasantry made common cause with the bandits and drove out the British from Rajnagar and Bishnupur. Very soon, however, the peasants came to be at odds with the bandits and fell upon them, slaughtering them unmercifully, and in 1790 peasants co-operated with the government to restore 'peace and order'. The reason for this clash is unclear: perhaps bandit rule proved less "social" than the peasants anticipated, or perhaps the peasants resisted bandit demands for division of their lands.

Terrorist Acts with Ideas of Vengeance and Justice

Banditry involves assassination, whether routine or occasional, but which is mainly far survival and predation, while restorative and religious movements for liberation kill or terrorise in pursuit of their aim to drive out the oppressor. The simplest, if least effective, form of revolt, however, is that in which peasants rise up and kill or

maim the oppressors without plans for the future — often, indeed, in the certain knowledge of being annihilated. In India every village has its legends of individual or small group acts of violence against landlords, revenue agents, moneylenders, bailiffs, or other authorities or wealthy persons. More rarely, when there is extreme suffering yet when it is impossible to drive out the enemy, patterns of violence may emerge in which members of a minority or even a whole region, engage in epidemic assassinations of key enemies, or burn buildings, stacks, or other property. The individual terrorist kills and risks his life for his community, in vengeance but also partly with a sense of group pride and natural justice; sometimes, with a religious belief that this is his unavoidable destiny and his road to salvation. Although the custom was ancient among them, some of the Lushai Kukis' headhunting raids into Sylhet and Cachar in the first half of the nineteenth century seem to have been in vengeance, "not [as some charged] to get heads to bury with [their dead chief] Laroo, but to avenge unfair dealing of Bengalis at the frontier marts".[69] And although they sprang originally from a millenarian ideology, most of the nineteenth century Moplah killings of British officials, landlords and revenue agents were carried out to avenge specific wrongs, to mete out rural justice and to afford desperate paupers escape to salvation through martyrdom.[70] The British correctly estimated the element of collective justice, for they levied heavy fines on the entire village of those who died fighting after they had assassinated some high ranking person.

Mass Insurrections

Fourteen of the revolts studied were mass insurrections in which peasants provided the leadership and were the sole or dominant force.[71] These revolts were sudden and dramatic. They lacked a religious movement ideology and a single charismatic religious leader. They aimed initially at the redress of particular grievances and thus were at first reformative. They started characteristically with peaceful mass boycotts or demands for the righting of wrongs, but fought when reprisals were taken against them. Seven of the revolts occurred in Bengal, two in the Punjab, three in the Deccan, one in Mysore and one in Kerala. Several became revolutionary in aim as they progressed and four actually achieved a temporarily liberated zone. These were the revolts of the peasants and bandits of Bishnupur and Birbhum in 1789,[72] of the Jat peasants of Haryana in 1809,[73] of the peasants of Khandesh in 1852,[74] and of the Moplahs of Kerala in 1921.[75] One revolt, that of the Santhals of Bengal in 1870, was predominantly tribal, although plains' peasants took part in it.[76] The rest involved Hindus, Muslims, or Sikhs, usually a combination of members of two religions. Six occurred before the Mutiny, and eight afterwards. The biggest revolts, those of Rangpur in 1783, of Bishnupur in 1789, of the Jats in 1809, of the Mysore peasants in 1830-31, of the indigo growers in Bengal in 1860, of the Deccan peasants in 1875, and of the Moplahs in 1921, probably affected populations of more than a million. The revolts characteristically lasted for several weeks, but the Moplah revolt continued for six months.

All the uprisings involved tenants or small owner-cultivators. All were against economic deprivations resulting from British policies and in most cases also from landlords' exactions. The revolt in Rangpur and Dinajpur of 1783 and the Deccan peasant uprising of 1875 provide earlier and later examples of features characteristic of all these uprisings. In Rangpur in the early years of Company rule, revenue exactions under the revenue contractor Debi Singh were outrageous — his agents chained and imprisoned selected peasants, then flogged and starved them until their villages paid the assessment. On January 18, 1783, peasants of many villages assembled in Tepah and elected a leader — the son of a peasant who had served as leader in a previous insurrection. The mob then stormed a prison and released the prisoners and marched with drumbeats to demand revenue concessions from the local agent. When his police fired and killed a peasant a fight ensued in which the agent Gaurmohan was captured and several peasants killed before the crowd could withdraw. Although the peasants made clear that they wanted justice, not bloodshed, and later presented a written petition to the government, they met only attempts to renew the revenue collections. The situation was so bad that, as they claimed, "we then sold our cattle and the trinkets belonging to our women. We have since sold our children ..." Failing to get relief, they killed two revenue agents[77] and raised a huge armed force which marched through the countryside. The revolt spread to Dinajpur, where peasants elected two more leaders and sacked and robbed a revenue office. After five weeks British troops put down the rebellion after killing many peasants, burning their homes and hanging a village headman. No relief seems to have been forthcoming from this uprising.

The Deccan revolt of 1875 was joined by water-carriers, barbers and even the house-servants of moneylenders in addition to cultivators. It covered Poona and Ahmednagar districts and spread into Gujarat. Excessive revenue exactions, low prices of grain and cotton crops and evictions and land mortgages to moneylenders drove the peasants to a three week insurrection. Tens of thousands met in public gatherings in market places and vowed to boycott the claims of moneylenders and to seize their documents. Some moneylenders fled the area. Those who resisted the armed bands who came for documents had their fodder stacks burned down, although the peasants carried on very little personal violence. After three weeks troops moved against the boycotters, hundreds were arrested in each centre, and the government levied collective fines throughout the area. The revolt produced some respite in the Deccan Agriculturalists' Relief Act of 1879.[78]

The famous Bengal indigo strike of 1860 was the first large strike in India and one of the most successful. It illustrates the initiative and discipline of which peasants are capable. It involved hundreds of thousands of tenants on British plantations. The tenants were forced to grow indigo at very low prices for the British textile industry, to the exclusion of most other crops. When they refused, slave drivers — some trained on United States southern plantations — kidnapped or flogged them, exposed them in stocks, or murdered them. Once decided upon, the strike spread rapidly. Tenants assembled with staffs, swords, bows and arrows and matchlocks to defend their settlements. In Pabna an army of 2,000 peasants appeared and wounded a magistrate's horse; otherwise, there was little violence. The strike stopped indigo planting in Bengal and forced the planters to move west to Bihar.

The Moplah rebellion of 1921 lasted longer than any other peasant insurrection I have examined. It bridged the period of 'pre-political-party, peasant uprisings and that of peasant actions sponsored by political parties. In its first large all-India struggle towards Independence, the Indian National Congress joined with Muslims of the Khilafat movement[79] to boycott British instituted councils, law courts, titles, educational institutions and the purchase of foreign goods. The boycott allied Hindu and Muslim middle class leaders, a few landlords, high ranking non-cultivating tenants and a large mass of poverty stricken cultivating tenants and landless labourers, especially Moplahs, who formed a majority of the population in the Ernad and Walluvanad taluks and who followed the Khilafat leaders. Both the Congress and the Khilafat parties had begun to organise a movement for tenancy reforms, which was strongly opposed by Malabar's big landlords with their memories of the nineteenth century Moplah revolts. The manager of a large Hindu princely estate persuaded the police to search the local Khilafat secretary's house for a gun that he alleged had been stolen from the palace. Thousands of armed Moplahs were summoned by drumbeats to prevent their leader's arrest. When police broke into a mosque in search of the fugitive, Moplahs throughout the two taluks rose in insurrection, sacking police stations, looting government treasuries and destroying records of debts and mortgages in courts and registries. For six months British rule became inoperative throughout the region. A leader emerged to govern it who was known as Raja by the Hindus, Amir by the Muslims, and Colonel of the Khilafat army. He administered the territory, supervised the execution of police, both Hindu and Muslim, who had committed atrocities, and of traitors who helped the British forces, put an end to the looting, and announced the suspension of land revenue and rents for one year. He commanded poor peasants to harvest their landlords' crops and used the surplus to feed his army. He issued passports to travellers entering and leaving his kingdom and edicts against the harming of Hindus by Muslims.

The Congress party under Gandhi withdrew its support from the movement as soon as it resorted to violence and tried ineffectively to mediate between the British and the revolutionaries, The resultant wavering among Hindu followers roused suspicion among the Moplahs and when British troops attacked and engaged in espionage among the Hindus the movement acquired a communal flavour. The rebels killed some 500 alleged traitors, chiefly Hindus, sacked about a hundred temples and forcibly converted 2,500 Hindus to Islam. A fierce struggle followed between British and Gurkha troops on one side and the rebel army on the other, in which according to A Sreedhara Menon about 10,000 were estimated to have died. There was prolonged guerilla warfare and two large battles were fought. On reconquering the region the British took savage reprisals. The rebel leaders were shot, hundreds of their followers were hanged or deported to the Andamans and 61 prisoners suffocated as a result of being enclosed in a railway goods-wagon on their way from Tirur to Coimbatore jail. Considering the violent enmity of the Hindu landlords, the wavering of the (largely Hindu) Indian National Congress and the terror instituted by the British, the rebel leaders' conduct must be considered moderate and the rebels' communal reprisals a minor part of the revolt, which was essentially a peasants' insurrection. The Moplah rebellion illustrates the fact that in India as elsewhere, agrarian classes usually have a partial isomorphism with major ethnic categories, whether these are Hindu and Muslim or culturally distinct blocks of Hindu castes, or even, in some areas, co-resident linguistic groups.[80] What is labelled inter-religious or inter-communal strife is often, perhaps usually, initially a class struggle, but unity in the class struggle is all too often broken by the upper classes' appeal to and manipulation of cultural differences, and under duress those most oppressed may turn on all the co-religionists of their oppressors.

Modern Peasant Uprisings

Except for the early revolts to drive out the British and re-establish traditional principalities, the uprisings so far discussed were 'pre-political' or 'primitive' in the special sense that they were not addressed to the future of the nation state and thus were doomed to failure when they aimed at revolution. These revolts were, however, politically progressive in that they sought a new state of peasant society which would combine freedom from alien rule together with some traditional virtues and modern technology and popular government, rather than merely reverting to pre-British social structures. The revolts also amply illustrated the remarkable organising abilities of the peasantry, their potential discipline and solidarity, their determined militancy in opposing imperialism and exploitative class relations, their inventiveness and potential military prowess and their aspirations for a more democratic and egalitarian society. The more impressive uprisings also show that even in India, where inter-ethnic strife has produced some of the most tragic modern holocausts, peasants are capable of co-operating in class struggles across caste, religious and even linguistic lines to redress their common grievances.

Peasant revolts since the 1920s have been co-ordinated within the policies of oppositional political parties. They have formed two major types. On the one hand, there have been political movements for independence or for national or regional autonomy among blocks of tribal peoples. The most notable of these have been the struggle for an independent state in Kashmir, the nationalist war of the Naga and Mizo tribal peoples, and the Jarkhand movement for the political autonomy of the Santhals, Oraons and other tribes. On the other hand, there have been peasant uprisings which were primarily class struggles and were guided by one or another of India's communist parties.

Seven major peasant uprisings or episodes of revolutionary struggle in the Indian countryside have occurred to my knowledge under communist guidance. The first four were conducted by the Communist party of India before it split into two wings in 1964. These were Tebhaga uprising in the north of Bengal in 1946, the Telengana peasant war in former Hyderabad state (now part of Andhra Pradesh) in 1946-48,[81] a strike of tenants and landless labourers in eastern Thanjavur for several weeks in 1948,[82] and a series of short strikes followed by attacks on granaries and grain trucks in Kerala in 1946-48.[83] The other three uprisings were led by Maoist groups which began to break away from the Communist Party of India (Marxist) in 1967. They included prolonged peasant struggles involving land claims and harvest shares in 1966-71 led by the Andhra Pradesh Revolutionary Communist Committee; the uprising in Naxalbari in West Bengal in 1967; and the "annihilation campaign" of the Communist Party of India (Marxist-Leninist) against landlords, moneylenders, police and a variety of political enemies of the party, especially in Srikakulam, Mushahari and Debra-Gopivallabpur in 1969-70.[84]

Communist sponsored uprisings differ in many respects from those of earlier periods. First, of course, they are led at least ostensibly by a vanguard party which recruits members from urban petty bourgeois, urban working class, or even landlord origins as well as from the peasants and which draws on the theories of Marx and Lenin as well as, more recently, Mao Tse-tung. In each uprising the party involved has had as its ultimate goal the revolutionary attainment of a People's Democracy as a prelude to the transition to socialism throughout India.[85] Peasant revolts have been co-ordinated, and sometimes

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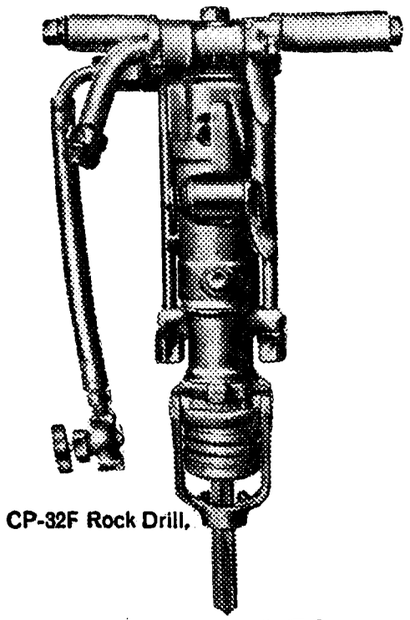
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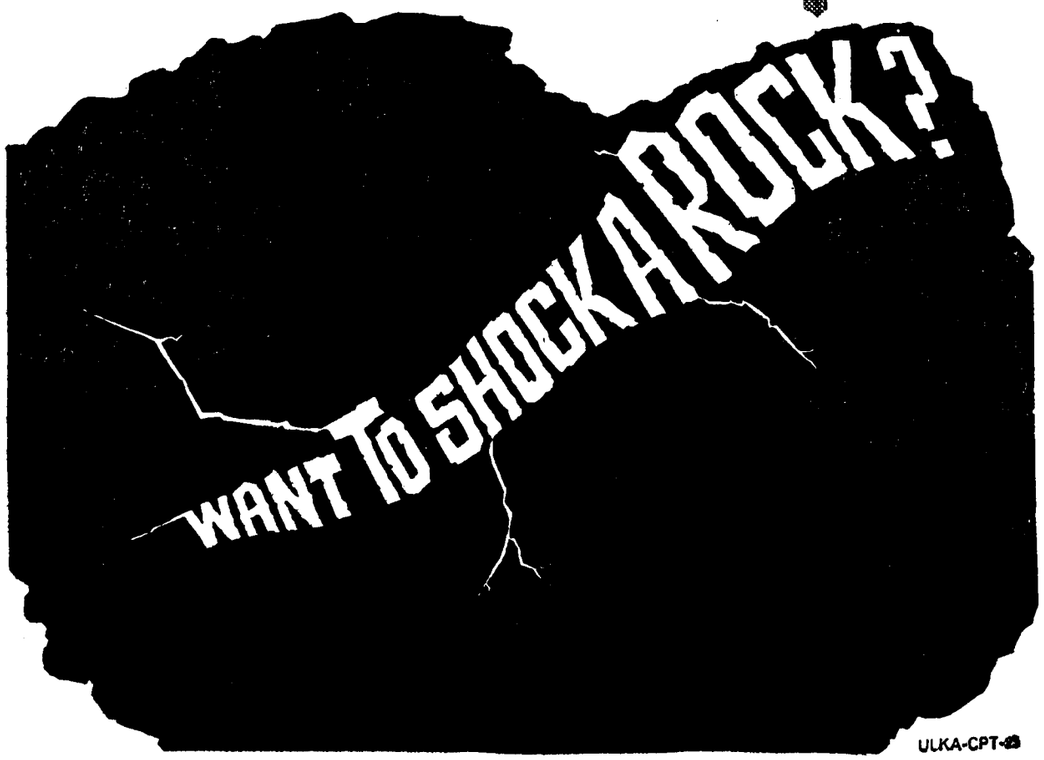
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started, in accordance with current party policy, and have sometimes been stopped by the party because of national or even international changes of party line.[86]

Nevertheless, just as modern tribal nationalist movements, in their goal of ethnic liberation, share common features with and may even draw experience and organisational strength from earlier tribal religious movements,[87] so various communist struggles among the peasants have had features in common with early peasant movements involving social banditry, terrorist vengeance with ideas of popular justice, or mass insurrections for the redress of grievances.

The most successful communist led peasant actions were those of Tebhaga in 1946, Telengana in 1946-48, Naxalbari in 1967, and Andhra Pradesh in 1969-71. All of them involved a large component of tribal people. All of these revolts began as strikes or other forms of popular action initiated by the peasants or with their willing consent for the redress of specific grievances. The Tebhaga revolt began with a demand for reduction of the occupying tenants' (jotedars')[88] rights in the crop from half to one-third and a corresponding increase in the rights of poor peasant sharecroppers (adhiars or bargadars). It had been preceded in the late 1930s by a campaign on behalf of middle peasants (the better-off tenants) to abolish 'feudal' levies over and above the legal rents. In Telengana, too, the initial demands were for abolition of illegal exactions by the deshmukhs and nawabs — the feudal lords — and later on for cancellation of peasants' debts.[89] In Thanjavur the demands were for halving the rents paid by cultivating tenants and doubling the wages of landless labourers. In Naxalbari the peasant unions began by taking over land which the communist-led West Bengal government had already decreed should be removed from the jotedars, the former occupancy tenants who by this time had become outright owners of the land with the abolition of zamindari rights. The land act provided for this land to be distributed to the landless, but the proprietors refused to surrender it. Having driven out the landlords, the peasant unions then went on to distribute all the land among the peasants.[90] Similarly, in Warangal, Khammam and Karimnagar districts of Andhra Pradesh in 1969, the communist peasant unions began their armed struggle by occupying land which had been taken from them by neighbouring landlords and redistributing it among the tribal peasants.[91]

In all these struggles, much as in more successful of the traditional peasant insurrections referred to earlier, the peasant unions were able to secure temporary liberated zones which they governed for several weeks or months through peasant committees supervised by the Communist Party. In Thanjavur landlords, police and bureaucrats remained in the area but obeyed the village committees; in the other regions the peasants killed or drove out these figures during the period of revolutionary government. The largest and longest revolt was that of Telengana, which is reported to have engulfed 2,000 villages in an area of 15,000 square miles, with a population of four million and a peasant army of 5,000. In the more recent Andhra Pradesh uprising of the late 1960s under the Andhra Pradesh Revolutionary Communist Committee, which took place partly in the same area, the revolutionaries claimed in mid-1970 a liberated area of 7,000 to 8,000 square miles with a population of 500,000 to 600,000.[92] Repression has since greatly increased and the movement appears to be temporarily crushed.

In contrast with these efforts, communist armed action has been less successful when it employed tactics suggestive of banditry or of terrorist vengeance, unaccompanied by mass insurrection or by demands for redress of specific grievances and popular control by peasant committees. These tactics predominated in the party's struggles among the peasants in 1948-49 in Kerala and in those of the CPI(ML) in eastern India and elsewhere in 1969-72.[93] In the former instance the communists had earlier, in 1946, conducted successful mass strikes for higher wages among landless labourers and mass cultivation of the forest lands of big landlords. (As in Bengal, they had also successfully organised strikes of middle peasants against illegal levies during the late 1930s.) When, however, police reprisals became heavy and several communists and peasants were killed, the party went partly underground and squads of party members and peasant leaders began to rob grain trucks and ransack the granaries of landlords and distribute food to the people. Although poor peasants admired these exploits — much as they admire those of dacoits who pillage the rich and powerful — the peasants did not become organised through these actions and had no control over them. In the course of these actions the police and the armed goons of (Congress-supporting) landlords killed several leading peasants and party members and arrested most of the others, and the Communist Party became temporarily isolated from the villagers.

In the second instance, the CPI(ML) moving away from its earlier policy of mass struggles in Naxalbari and to some extent in Srikakulam, developed the policy of "annihilation" of landlords, police, moneylenders, oppressive bureaucrats and enemies of other political parties by secret squads recruited from young party members and their associates in the cities, and, where possible, from the most oppressed groups of poor peasants and landless labourers in the countryside. Several dozens and probably hundreds of landlords in eastern India were assassinated in a three-year period. In their size, secrecy, primitive weaponry, utter devotion and in the fact that they tended to operate some distance from home, these revolutionary squads resembled those of the Moplah peasant insurgents who carried out acts of terrorist vengeance in Malabar in the nineteenth century — and no doubt also other Indian terrorist groups in urban uprisings of the early twentieth century. While commanding admiration in many villages, the squad tactic, unaccompanied by mass organisation around specific economic grievances, isolated the cadres and exposed a defenceless populace to police and later to military reprisals. The annihilation policy, along with other shortcomings, was criticised in a letter from the Chinese government in November 1970, and helped provoke a split in the party in 1971. Since the death of Charu Mazumdar, the party chairman and the main exponent of the annihilation tactic, in July 1972, it has been repudiated by most of the party's remaining leaders.[94] At present, most of the CPI(ML)'s cadres appear to have been arrested, or to have left the party, or to have been killed in action or in jails.[95]

Conclusions

Indian peasants have a long tradition of armed uprisings, reaching back at least to the initial British conquest and the last decades of Moghul government. For more than 200 years peasants in all the major regions have risen repeatedly against landlords, revenue agents and other bureaucrats, moneylenders, police and military forces. The uprisings were responses to relative deprivation of unsually severe character, always economic, and often also involving physical brutality or ethnic persecution. The political Independence of India has not brought

surcease from these distresses, for imperial extraction of wealth from India and oppression by local property owners continue to produce poverty, famine, agricultural sluggishness and agrarian unrest. Major uprisings under communist leadership since British rule not unnaturally show a continuity of tactics with earlier peasant revolts. Of these, the more successful have involved mass insurrections, initially against specific grievances, and the less successful, social banditry and terrorist vengeance. Both in the case of communist revolts and in that of earlier peasant uprisings, social banditry and terrorist vengeance, when they occurred, appear to have happened in the wake of repression of other forms of revolt.

Although revolts have been widespread, certain areas have an especially strong tradition of rebellion. Bengal has been a hotbed or revolt, both rural and urban, from the earliest days of British rule. Some districts in particular such as Mymensingh, Dinajpur, Rangpur and Pabna in Bangladesh, and the Santhal regions of Bihar and West Bengal, figured repeatedly in peasant struggles and continue to do so. The tribal areas of Andhra Pradesh, and the state of Kerala, also have long traditions of revolt. Hill regions where tribal or other minorities retain a certain independence, ethnic unity, and tactical manoeuvrability, and where the terrain is suited to guerilla warfare, are of course especially favourable for peasant struggles, but these have also occurred in densely populated plains regions such as Thanjavur, where rack-renting, land hunger, landless labour and unemployment cause great suffering.

The more successful revolts of the recent period occurred under irregular conditions which are unlikely to be repeated. The Tebhaga revolt took place three years after a famine had killed three and a half million Bengalis, leaving a labour shortage. The British government was nervous of offending the peasantry because of the Japanese invasion; it failed to move against the rebels until the Japanese had been defeated and the proportions of the rebellion had become alarming.[96] In Telengana in 1946-47 the change of government created an emergency, as the Nizam of Hyderabad refused to accede to the Indian Union, and it was some time before the Indian government decided to invade the state and mop up both the Nizam's forces and the communists. In Thanjavur in 1948 the government was occupied in invading Hyderabad and did not immediately institute repression.

Today the Indian government is more heavily militarised than it has ever been. It has the experience of crushing recent peasant struggles, of years of police repression in West Bengal and of the invasion of Bangladesh. It also has the example of US methods of repression in Indochina.[97] The increasing poverty, famine and unemployment make it seem certain that India's agrarian ills can be solved only by a peasant-backed revolution leading to socialism, but the struggle will be very long and hard.

Notes

1 An earlier version of this paper was presented at a Conference on Peasants of Asia and Latin America at the University of British Columbia in February, 1973, sponsored by the Canada Council. I am grateful to David F Aberle, Amiya Kumar Bagchi, Peter Harnetty, Gail Omvedt and Thomas Weisskopf for comments on the earlier version. None of them is responsible for my interpretations.

2 The hut and charred bodies were photographed and are reproduced in Lasse and Lisa Berg, "Face to Face: Fascism and Revolution in India", Ramparts Press, California, 1971, p 55. For more details and an account of recent class struggles in Thanjavur, see Mythily Shivaraman, "Rumblings of Class Struggle in Thanjavur", in Kathleen Gough and Hari P Sharma, eds, "Imperialism and Revolution in South Asia", Monthly Review Press, 1973.

3 Rupert M Moser, "The Situation of the Adivasis of Chota Nagpur and Santal Parganas, Bihar, India", International Work Group for Indigenous Affairs Document No 4, Frekderiksholms Kanal 4 A, DK 1220 Copenhagen K, Denmark, 1972.

4 A supporter of the Communist Party of India (Marxist-Leninist), one of the main Maoist groups, reported that an estimated 10,000 peasants and others had been killed on the communist side in the three years from 1967 to 1970 (personal communication). *Liberation*, the organ of the CPI(ML), has published numerous accounts of assassinations of landlords, police, usurers and others by cadres of the party between November 1967 and January 1972. The journal was issued from 60A Keshab Chandra Sen Street, Calcutta 9, until early 1970 and was then published clandestinely. Issues since September 1970 are available from *Chingari*, PO Box 32, Station F, Toronto, Ontario, Canada. Volume 5, No 1 (July 1971-January 1972) contains accounts of a number of assissinations in West Bengal, Andhra Pradesh, Punjab and Uttar Pradesh.

5 David F Aberle, "The Peyote Religion Among the Navaho", Wenner-Gren Foundation for Anthropological Research, 1966, p 315.

6 Barrington Moore, Jr, "The Social Origins of Dictatorship and Democracy", Beacon Press, 1966, p 202.

7 *Op cit*, p 383. Moore is actually equivocal about the effects of caste on peasant unrest, for on page 382 he writes, "Any notion to the effect that caste or other distinctive traits of Indian peasant society constitutes an effective barrier to insurrection is obviously false", but on page 383, "Caste was also a way of organising a highly fragmented society . . . Though this fragmentation could at times be overcome in small ways and in specific localities, it must have been a barrier to widespread rebellion. Furthermore, the system of caste did enforce hierarchical submission. Make a man feel humble by a thousand daily acts and he will behave in a humble way. The traditional etiquette of caste was no mere excrescence; it had definite political consequences. Finally, as a safety valve, caste does provide a form of collective upward mobility through Sanskritization". My view is that an enforced etiquette of submission does not necessarily engender submissive feelings; if the subordinate comes to feel unjustly deprived, having to observe the etiquette may engender rebellious feelings which sometimes burst forth. In Thanjavur in 1952 I lived on a street of low ranking and poverty striken cowherds and sharecroppers, servants of Brahman landlords. The caste etiquette was the most subservient I have seen outside of Kerala. In private the sharecroppers often raged against their landlords as "evil". In spite of severe reprisals involving flogging and being forced to drink pints of cowdung and water, lower caste men in this village had frequently resorted to violence. One once smote his landlord across the face; another cut off his landlord's leg; two more bound their landlord to a cart-wheel, thrashed him and drove him out of the village for seducing a kinswoman. Sanskritisation permits upward mobility but only for a small minority. The conflicts of interest among castes which are respectively composed predominantly of smallholders, sharecroppers, and landless labourers, are a serious matter for revolutionary organisers, but such class conflicts among peasants are worldwide.

8 S B Chaudhuri, "Civil Rebellion in the Indian Mutinies, 1857-1859", World Press, Calcutta, 1957, p 32.

9 See S B Chaudhuri, "Civil Disturbances During the British Rule in India (1765-1857)", World Press, Calcutta, 1955, pp 56-58, 74-76 and 125-132 for accounts of these revolts.

10 The Punjab appears to have been an exception. Although recently conquered, the Sikhs in particular provided soldiers loyal to the British.

11 See E M S Namboodiripad, "The National Question in Kerala", Bombay, 1952, pp 102-103; Irfan Habib, "The Agrarian System of Moghul India", Asia Publishing House, London, 1963, p 332.

12 The formerly primitive tribes of India number about 45 million and form about one-twelfth of the population.

13 For peasant revolts in the Moghul period see Irfan Habib, *op cit*, pp 330-333, 337-351. See also Ramkrishna Mukherjee, "The Rise and Fall of the East India Company", Veb Deutscher Verlag der Wissenschaften, Berlin, 1957, p 217. Information on the Thuggee is taken mainly from an unpublished paper by the late Saghir Ahmad, "Thuggees: Rebels or Criminals?", which is being edited for publication. Major sources include W H Sleeman, "History and Practices of the Thug", Philadelphia, 1839; W H Sleeman, "Reports on the Depredation Committed by the Thug Gangs of Upper and Central India", Calcutta, 1840, Francis Tuker "The Yellow Scarf", London, 1961; and John Masters, "The Deceivers", London, 1960.

14 Stephen Fuchs, "Rebellious Prophets: A Study of Messianic Movements in Indian Religions", Asia Publishing House, 1965, pp 143-144.

15 W Francis, *Madras District Gazetteers*, Madura, Madras Government Press, 1906, pp 88-91.

16 See, e g, Michael Barratt Brown, "After Imperialism", Heinemann, 1963, pp 58-60; Amiya Kumar Bagchi, "Foreign Capital and Economic Development in India: A Schematic View", in Kathleen Gough and Hari P Sharma, eds, *op cit*, for analysis.

17 S B Chaudhuri, *op cit*, 1955, p 15.

18 See, e g, Barratt Brown, *op cit*, pp 174-177; and A K Bagchi, *loc cit*.

19 See, for example, Martin Orans, "The Santal", Wayne State University Press, 1965, pp 30-36; Rupert M Moser, *loc cit;* S B Chaudhuri, *op cit*, 1955, pp 51-53.

20 The century old dispute regarding the extent, or even the occurrence, of 'deindustrialisation' in nineteenth century India has not abated. Most writers acknowledge that there was certainly a decline in the proportion of Indian craftsmen relative to the total population in the first half of the nineteenth century, and some, that the decline continued throughout the century. The argument regarding the earlier period, in particular, seems unquestionable in view of the staggering decline in exports of Indian craft goods and the staggering increases in Indian exports of raw materials and in British imports to India of manufactured goods. For evidence and figures see Barratt Brown, *op cit;* A K Bagchi, *loc cit;* B B Misra, "The Indian Middle Classes", University Press, 1961; and Daniel Thorner, "Deindustrialisation in India", in "Land and Labour in India", Asia Publishing House, 1962, chapter VI. Romesh Chandra Dutt's classic study, "The Economic History of India under Early British Rule, 1757-1837, Routledge and Kegan Paul, 1963, first published in 1901, is still of great value, especially pp 176-200. Dharma Kumar, who is mainly concerned about stressing the existence of landless labour in India from pre-British times, nevertheless points out that the agriculturally dependent population increased from about 60 per cent to 69 per cent between 1800 and 1901. It had reached about 75 per cent by 1951 ("Land and Labour in South India", Cambridge University Press, 1965, p 181). In Kerala and Thanjavur in the 1950s I found many families in castes traditionally designated as Weavers, Goldsmiths, Traders, Tile-Makers, high class Potters, Oil-Mongers, Basket and Mat-Makers, or other craftsmen, who became unable to ply their crafts at some time during British rule and who became tenant farmers, landless labourers, or casual workers in towns. Saghir Ahmad found the same in West Punjab (see "Peasant Classes in Pakistan", in Gough and Sharma, eds, *op cit*, 1973, pp 203-221). Morris D Morris has argued more strongly than other recent writers against 'deindustrialisation', but I believe his arguments to have been ably answered by several Indian authors. See Morris D Morris, ed, "The Indian Economy in the Nineteenth Century: A Symposium", Indian Economic and Social History Association, Delhi School of Economics, Delhi 7, 1969.)

21 The population of Dacca is reported to have fallen from 150,000 in 1757 to between 30,000 and 40,000 in 1840. In 1787 the exports of Dacca muslins to England amounted to three million rupees, but in 1817 they had ceased altogether. Murshidabad, Surat, Agra and also southern cities such as Thanjavur suffered correspondingly (R Mukherjee, *op cit*, pp 337-339).

22 Opium, for example, was the chief agricultural crop in Malwa and lower Rajputana in 1817-18 (S B Chaudhuri, *op cit*, 1955, p 217), and this was still true in 1860-1880. Indigo in Bengal and Bihar, cotton in the north-west provinces, central India and the Karnatak, jute and sugarcane in Bengal, and tea, tobacco and coffee in north-east and south-east India, were among the export crops that were greatly expanded in the first half of the nineteenth century. In Bombay province in 1834-45 cotton occupied 43 per cent of cultivated land in Broach and 22 per cent in Surat but the cultivators were reported to receive little or no profit (R C Dutt, "The Economic History of India in the Victorian Age, 1837-1900", Routledge and Kegan Paul, 1960, p 98). Today about 40 per cent of the land in Kerala state is devoted to export crops and Assam is similarly dominated by a plantation economy; export crops occupy at least one-fifth of the cultivable land of India as a whole (A K Gopalan, "Kerala Past and Present", Lawrence and Wishart, 1959, pp 79-96). In addition to the expansion of industrial crops for export, India also exported increasing amounts of foodgrains during the nineteenth century, in spite of the growing population and the virtual stagnation of subsistence agriculture. Thus, India exported 1.25 million tons of foodgrains in 1879-80, whereas it had exported only 0.65 million pounds sterling worth in 1842, 3.58 million in 1860 and 27.26 million in 1880 (B M Bhatia, "Famines in India, 1860-1965", Asia Publishing House, 1967, p 38).

23 For a detailed treatment of trends in both commercial and subsistence agriculture during British rule, see George Blyn, "Agricultural Trends in India, 1891-1947", Philadelphia, 1966.

24 There is uncertainty about the exact proportions of the different classes of peasants and agricultural workers in various decades because of imperfect records and differences in modes of classification. Dharma Kumar rightly points out that there was a substantial class of agricultural labourers at the beginning of British rule, usually enslaved and mainly untouchable. She estimates its size at about 10 to 15 per cent of the total population. Although she emphasises continuities in the agrarian structure of India in the nineteenth century, Kumar notes that, agricultural labourers had increased to an estimated 15 to 20 per cent of the total population in the period between 1871 and 1901. Landless labourers were estimated at 28 per cent of the total workforce in 1951 and 26 per cent in 1971. It is also relevant to estimate the proportions of agricultural labourers in relation to the total population *dependent on agriculture* in the various periods, and the latter in relation to the total population of India. Rough estimates are as follows. Dharma Kumar estimates the agriculturally dependent population at 60 per cent of the total population in 1800 or even less. Agricultural labourers were probably about 17 to 25 per cent of the agricultural population. In 1901 the agricultural population was about 69 per cent of the total with agricultural labourers about 27 to 29 per cent of the agricultural population. In 1951 the agricultural population was about 75 per cent



of the total population and agricultural labourers about 38 per cent of the agricultural population. In 1971 the agricultural population had declined again to 69 per cent of the total; agricultural labourers still formed about 38 per cent of the agriculturally dependent population, but a larger proportion of them were probably totally landless than were in 1951. (See Dharma Kumar, "Land and Caste in South India", Cambridge University Press, 1965, especially pp 168-193; Charles Bettelheim, "India Independent", Monthly Review Press, 1969, p 25; and Government of India *Censuses* for the various decades.) In some states where the agricultural population's density is very high, the numbers of agricultural labourers have risen quite rapidly in recent decades. In Thanjavur district, for example, they increased by 60 per cent between 1951 and 1961. (See, e g, Mythily Shivaraman, "Rumblings of Class Struggle in Thanjavur", in Gough and Sharma, eds, *op cit*, p 252.) When middle and poor peasants lose their lands, moreover, not all of them show up in the category of landless labourers. Some, like some former landless labourers, are forced to migrate to cities, where they often join the lumpen proletariat of beggars, casual labourers and underemployed craftsmen or service workers. The urban population increased from about 25 per cent to 31 per cent of the total between 1951 and 1971.

25 See, e g, V M Dandekar and Nilakantha Rath, "Poverty in India: Dimensions and Trends", *Economic and Political Weekly*, Bombay January 2, 1971, pp 106-146. The authors estimate that in 1960-61, 38 to 40 per cent of India's rural population and about 54 per cent of its urban population received inadequate diet to maintain health by United Nations standards, even with respect to number of calories. By 1967-68, consumer expenditure among the poorest 5 per cent of villagers had declined slightly, while the poorest 20 per cent in the rural areas had stagnated. In towns, partly as a result of the migration of rural unemployed to the cities, consumer expenditure had declined among the bottom 40 per cent between 1960-61 and 1967-68. Using a different criterion of a minimum of Rs 15 per month per capita for consumer expenditure, Bardhan estimated that the rural population living below the poverty line was 38.03 per cent in 1960-61, 44.57 per cent in 1964-65 and 53.02 per cent in 1967-68 (P Bardhan, "Green Revolution and Agricultural Labourers: A Correction", *Economic and Political Weekly*, January 2, 1971, pp 25-48). Male agricultural labourers can find work for an average of only 190 days a year and females for only 120 days a year (Bettelheim, *op cit*, p 30).

26 See B M Bhatia, *op cit*, for the following information, especially pp 10-13, 239-242 and 308-339.

27 *Newsweek*, June 17, 1963, reporting on the World Food Congress held in Washington, DC, under the auspices of the United Nations.

28 P L Eldridge, "The Politics of Foreign Aid in India", Vikas Publications, Delhi, 1969, especially pp 112-116. India imported only 2.6 per cent of its foodgrains in the First Five Year Plan (1951-1955), but this was increased, chiefly under US Public Law 480 loans, to 4.9 per cent in the Second Plan and 7.5 per cent in the Third.

29 For the impact of land reforms, see, e g, Bhowani Sen, "Evolution of Agrarian Relations in India", People's Publishing House, Delhi, 1962; Grigory Kotovsky, "Agrarian Reforms in India", People's Publishing House, 1964; and Charles Bettelheim, *op cit*, pp 146-233.

30 See Hari P Sharma, "Green Revolution in India: Prelude to a Red One?" in Gough and Sharma, eds, *op cit*, pp 88 and 94. Observations in Kerala in 1964 convinced me that these processes were widely at work there, partly as a result of landlords' reactions to successive land reform acts. In one north Kerala village, for example, I found that whereas in 1948 poor peasants, landless labourers and casually employed non-agricultural day labourers, having no land or only one small garden, were 72.1 per cent of the population, by 1964 they were 88.2 per cent.

31 See, e g, Francine Frankel, "India's Green Revolution: Economic Gains and Political Costs", Princeton University Press, 1971, for the increasing gap in incomes brought about by the green revolution and the fact that it chiefly benefits the larger farmers. Mohan Ram, ("Maoism in India", Vikas, Delhi, 1971, pp 185-6) and Mythily Shivaraman, (*loc cit*) cite increases in landless labourers and unemployed.

32 See Hamza Alavi, "Imperialism, Old and New", *The Socialist Register*, 1964, Monthly Review Press, 1964, pp 104-126; and A K Bagchi, *loc cit*, for characteristics of neo-imperialism in India since Independence and for comparisons and contrasts with the period of British rule. Alavi's later essay, "The State in Postcolonial Societies: Pakistan and Bangladesh", in Gough and Sharma, eds, *op cit*, pp 145-173, is also in many respects highly relevant to India.

33 See, e g, "Bangladesh Maoists", *Frontier*, Calcutta, January 16, 1973 pp 16-17.

34 E J Hobsbawm, "Primitive Rebels", Manchester University Press, 1959, pp 13-29; "Bandits", The Trinity Press, London, 1969, pp 13-23; and "Social Bandits: Reply (to Blok)" in *Comparative Studies in Society and History*, Vol 14, No 4, September 1972, pp 503-505.

35 Aberle, *op cit*, pp 316, 318 and 322-23, for discussion of transformative movements.

36 For discussions of relative deprivation, see Aberle, *op cit*, pp 326-329; and Aberle, "A Note on Relative Deprivation Theory as Applied to Millenarian and other Cult Movements", in Sylvia L Thrupp, ed, "Millennial Dreams in Action", Mouton, The Hague, 1962, pp 209-214.

37 Norman Cohn "The Pursuit of the Millennium", Secker and Warburg, London, 1957, pp 307-314.

38 S B Chaudhuri, *op cit*, 1955, pp 16, 60, 61, *et passim*.

39 These revolts were those of (1) the Kallar of Madura 1710-1784; (2) the Rajas of Dhalbhum, 1769-74; (3) the Chuar tribe of Midnapore, 1799; (4) a chief in Sylhet, 1787; (5) a dispossessed zamindar in Sylhet 1799; (6) Vizier Ali in Banaras and Gorakhpur 1799; (7) the Raja Vizieram Rauze in Vizagapatam, 1794; (8) the Maratha Dhundia Wagh in Mysore, 1799-1800; (9) the Pazhassi or "Pyche" Raja in North Malabar, 1796-1805; (10) the *poligars* of Bellary, Anantapur, Cuddapah and Kurnool, 1803-5; (11) the *poligars* of Tinnevelly, 1901; (1) the *poligars* of North Arcot, 1803-5; (13) Velu Thampi, the Prime Minister of Travancore, 1808-9; (14) the heirs of the Desai of Kittur, 1824; (15) the Bhils of Khandesh, 1818 31; the Bhils of Malwa, 1846; (17) the Khonds of Orissa, 1846; (18) the Santhals of Bihar, 1855-56; (19) an ex-chief, Gopal Singh, of Bundelkhand, 1802-12; (20) the chiefs of forts in Aligarh, 1817; (21) the Paiks and Khonds of Cuttack, 1817-18; (22) the Gujars of Sindia, 1824; (23) the Kols, Hos, and Mundas of Chota Nagpur, 1831-32; (24) the Bhumij and Chuar of Manbhum, 1832; (25) the Khasis of Assam, 1829-58; (26) the Garos of Assam, 1852, 1857, and 1872; (27) the Syntengs of Assam, 1860 and 1862; (28) the Mers of Merwara, 1820; and (29) the 'Sepoy Mutiny' in north and central India, 1857-58. For the Kallar, see W Francis, *op cit*, pp 66, 88-91; for the Garos and Syntengs, Stephen Fuchs, *op cit*, pp 111, 115, 126; and for the Mutiny, Chaudhuri, *op cit*, 1957. The other rebellions are reported in Chaudhuri, *op cit*, 1955. L Natarajan includes further information on the Santal revolt of 1855-56 in *Peasant Uprisings in India*, 1850-1900, People's Publishing House, Bombay, 1953.

40 See Benoy Ghosh, "Prepolitical Rebellions in Bengal", *Frontier* Calcutta, Vol 5, Nos 27-29, October 14, 1972, pp 9-14, for a recent account of the Chuar and Santhal rebellions.

41 The Moplah revolt of 1857, for example, was influenced by the belief that the British would soon

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be driven out of India by the northern rebels (W Logan, "Malabar", Vol 1, Government Press, Madras, 1951, p 576).

42 Chaudhuri, *op cit*, 1957, p 269.

43 Hobsbawm, *op cit*, 1959, p 58.

44 Norman Cohn, "Medieval Millenarism: Its Bearing on the Comparative Study of Millenarian Movements", in Sylvia L Thrupp, ed, *op cit*, 1962, p 43.

45 Peter Worsley, "The Trumpet Shall Sound", Schocken Books, New York, 1968, p 224.

46 Cohn, *loc cit*, p 32.

47 Fuchs notes 14 characteristics of the movements he calls messianic. They are: intense dissatisfaction with socio-economic conditions, emotional unrest with hysterical symptoms, a charismatic leader, the leader's demand for implicit faith and obedience, his demand for a radical change of life or for destruction of property, rejection of established authority and a call for rebellion, threat of severe punishment of traitors and opponents, the remembrance of a 'Golden Age' at the beginning of mankind's career, revivalism or renewed interest in traditional religion, nativism or the conscious attempt to restore selected aspects of traditional culture and to reject alien elements, vitalism or the desire for alien gifts from heaven, syncretism or indiscriminate adoption of various traits in the oppressors' culture, eschatologism or the expectation of world renewal after a worldwide catastrophe, and millenarianism or chiliasm, the hope or expectation of a paradise on earth. (See Fuchs, *op cit*, pp 1-15.)

48 The fullest account of the Moplah revolts up to the mid-1880s is contained in Logan, *op cit*, pp 554-594. See also C A Innes, *Gazetteer of the Malabar District*, Madras Government Press, 1908, pp 82-89. The movements recorded by Fuchs are: (1) the Hindu Maomaria movement in the Assam valley, 1769-1839; (2) the Mahdi movement of Aga Muhammad Reza with the Kuki Nagas in Cachar in 1799 (also described by Chaudhuri, *op cit*, 1955, p 73); (3) the Mahdi movement of Abdul Rahman and Bohra peasants in Gujarat, 1810; (4) the Muslim Pagal Panthi movement in Bengal in 1824-33; (5) the Muslim Maulvi or Wahabi movement in Bengal in 1827-31 under Titu Miyan; (6) the Muslim Faraizi movement of Dudu Miyan in Bengal in 1838-51; (7) an undated Hindu messianic movement in Sondwara, Malwa, in the early nineteenth century; (8) an undated Hindu messianic movement in Patiala state in the early nineteenth century; (9) revolts of the Gauda tribe of Mysore and some peasants of Coorg and south Canara under three successive Hindu religious leaders in 1837 and the following years; (10) the revolt of the Naikdas under Rupsingh in 1867-70 in the Panchmals; (11) the Munda revolt of the Sardari Lari in the 1870s in Chota Nagpur; (12) the Munda revolt under Birsa in Chota Nagpur in 1895-98; (13) the Oraon movement of Jotra Bhagat in Chota Nagpur in 1914; (14) the movement of Vasudeo Balvant Phadke among Maharashtrian peasants and others in 1879-80; (15) the Kacha Naga movement under Sambhudan in 1882; (16) the Kacha Naga movement under Jadonang and Gaidiliu in 1929-36 and again under Gaidiliu in 1961; (17) a revolt among the Garos of Assam in 1902; (18) the revolt of the Gonds of Adilabad under Bhimu against the Nizam of Hyderabad in 1940; and (19) the revolt of the Bhil Nath-panthis under Govindgiri in 1911-12.

49 Fuchs records a movement among the Pankas of Raipur an untouchable caste of weavers and village artisans; the messiah thought that a deity had entered him and preached that good men's crops would grow without sowing; when his following grew large and the revenue fell off he was arrested in 1860 (Fuchs, *op cit*, p 106).

50 Cf Aberle, *op cit*, 1962, pp 209-210.

51 Fuchs, *op cit*, pp 134 *et seq*.

52 Logan, *op cit*, p 567.

53 Fuchs, *op cit*, pp 218-221.

54 Fuchs, *op cit*, pp 28-34.

55 Fuchs, *op cit*, pp 240-243. The fifth classically millenarian movement was that of a Hindu messiah in Badawar, Patiala state, in the early nineteenth century who believed that he was Kalki, the last of the incarnations of Vishnu, the inaugurator of a happy and virtuous Hindu millennium. He announced that on an appointed day he would overturn the foreign government and set up his kingdom. He was arrested and his followers disappeared. Fuchs points out that Vaishnavism, Shaivism, Jainism and Buddhism, all contain millenarian mythologies — Vaishnavism that of Kalki, Shaivism of the 26 or 28 incarnations of Shiva each ushering in an age of liberation from evil, Jainism in the coming period of 63 saints whose saving qualities are similar to those to the Vishnu *avatars*, and Buddhism with its belief in the Buddha Maitreya, a future saviour of the world (Fuchs, *op cit*, pp x-xi, and for the Patiala movement, p 178).

56 Logan *op cit*, pp 558-59.

57 There have been at least three massacres of political prisoners, chiefly members of the Communist Party of India (Marxist-Leninist) since mid-1970. In particular on November 26, 1971, police admitted that six 'Naxalites' had been beaten to death with clubs and 237 wounded; according to some reports, however, up to 50 were murdered and many of the injured, at the time of reporting, hovered between life and death (*Frontier*, Calcutta, December 4, 1971; and *Le Monde*, Paris, November 30, 1971).

58 For a brief account and bibliography see "Thug", *Encyclopaedia Britannica*, 1958, Volume 21, p 1095.

59 Fuchs, *op cit*, pp 109-111.

60 Chaudhuri, 1955, *op cit* p 152.

61 Fuchs, *op cit*, pp 71-72.

62 Francis, *op cit*, pp 88-93.

63 Fuchs, *op cit*, p 71.

64 E J Hobsbawm, "Social Bandits: Reply (to Blok)", *Comparative Studies in Society and History*, Volume 14, Number 4, September 1972, p 504.

65 Stewart N Gordon argues that Thuggee bands were employed by Maratha chiefs in the late eighteenthe century in Malwa in order to provide them with a non-local source of revenue from plundering far afield during a period of competition in small state formation and to pay for European-style artillery and infantry (Gordon, "Scarf and Sword: Thugs, Marauders and State-formation in 18th Century Malwa", *The Indian Economic and Social History Review*, Volume 6, Number 4, December 1969, pp 403-429).

66 Vasudeo Balvant Phadke, the Maratha Brahman religious leader who believed himself an incarnation of Shivaji Maharaj, recruited Ramoshi bandits in 1879 and with them carried out robberies and attacks on police stations to obtain supplies with which he hoped to build an army and drive out the British. He was disillusioned, however, by the fact that the Ramoshis looted for their own benefit, and so he turned instead to the Dhangar shepherd caste and to the Kolis, who joined him because they believed they had been unjustly deprived of a large part of their cultivated land (Fuchs, *op cit*, pp 228-33).

67 Francis, *op cit*, pp 91-92.

68 Chaudhuri, *op cit*, 1955, pp 66-67.

69 Chaudhuri, *op cit*, 1955, p 109.

70 Logan, *op cit*, p 584. Fuchs records another rebellion in which the motives seem to have been chiefly revenge on the part of Muslim cultivators and townsmen against unjust agrarian and municipal taxes. The revolt took place in Bareilly in 1816 under Mufti Muhammad Aiwaz and commanded an army variously estimated at five to fifteen thousand (Fuchs, *op cit*, pp 180-181).

71 Six of the revolts took place before the Mutiny, and are described by Chaudhuri, namely the revolt at Dinajpur and Rangpur in 1783, that at Bishnupur and Birbhum in 1789, that in Mysore in 1830-31, that in Kittur in 1824, that in Khandesh in 1852, and that of the Jats of Haryana in 1809 (Chaudhuri, *op cit*, 1955, sections 3, 4, 31, 43 and 45). The other eight revolts were those of the tenants of European indigo plantations in

Bengal in 1860, of the peasants in Pabna and Bogra, East Bengal, in 1872-73, of the Deccan cultivators in 1875, of peasants in the Punjab in the 1890s, of the Santhals and other peasants in Bengal in the 1870s, of converted Muslim tribal cultivators in East Bengal in the 1890s, of the Moplahs of Malabar in 1921, and of the Santhals during the Second World War and the national Independence struggle in 1942-43. L Natarajan describes the first three of these revolts in "Peasant Uprisings in India, 1850-1900", *op cit*. For the Bengal indigo revolt of 1860, see especially Blair Kling, "The Blue Mutiny", University of Pennsylvania Press, Philadelphia, 1966. For the Moplah revolt of 1921, see E M S Namboodiripad, "Kerala Yesterday, Today and Tomorrow", National Book Agency, Calcutta, 1967, pp 144-150; and A Sreedhara Menon, "Kerala District Gazetteers: Kozhikode", Government Press Trivandrum, 1962, pp 179-186. The other revolts are referred to by Fuchs, *op cit*, p 58; and A R Desai, "Social Background of Indian Nationalism", Popular Prakashan, Bombay, 1966, pp 188-189.

72 Chaudhuri *op cit*, 1955, pp 65-67.

73 Chaudhuri, *op cit*, 1955, pp 175-76.

74 Chaudhuri, *op cit* 1955, pp 171-172. The revolt began in mass opposition to the land survey and the placing of boundary stones on land — an indication of the peasants dread of the assessment that would follow the survey and demarcation of their plots.

75 Menon, *op cit*, p 179.

76 Chaudhuri, *op cit*, 1955, p 61.

77 The leader, Dirjinarain pleaded for the life of Gaurmohan the first agent, at some risk to his own, because Guarmohan was a Brahman and Brahmans were exempt from execution by traditional law. The peasants, however, insisted on killing him.

78 In "The Myth of the Deccan Riots", *Modern Asian Studies*, November 1972, Neil Charlesworth has argued that the extent of the uprising was much overestimated in current and subsequent reports. His argument does not seem convincing in the light of data cited by Natarajan and other writers.

79 The Khilafat movement was begun to protest against Britain's removing various Middle Eastern territories from the control of Turkey in violation of promises made by Lloyd George during the First World War.

80 See Kathleen Gough, "Indian Nationalism and Ethnic Freedom", in David Bidney, ed, "The Concept of Freedom in Anthropology", Mouton, 1963, pp 170-207, for further discussion.

81 See Hamza Alavi, "Peasants and and Revolution", *Socialist Register, 1965*, edited by Ralph Miliband, Monthly Review Press, 1965, for accounts of the Tebhaga and Telengana revolts. See also Mohan Ram, "The Telengana Peasant Armed Struggle, 1946-51", *Economic and Political Weekly*, Volume Number 23, June 9, 1973, pp 1025-32.

82 See John F Muehl, "Interview with India", John Day, New York, 1950, pp 249-292.

83 See E M S Namboodiripad, "Kerala Yesterday, Today and Tomorrow", pp 193, 196.

84 For all of these actions see Mohan Ram, "Maoism in India", Delhi, Vikas, 1971, pp 38-163. See also Mohan Ram, "Five Years After Naxalbari", *Economic and Political* Special Number, August 1972, *Weekly*, Volume 7, Numbers 31-33, pp 1471-76.

85 For differences in ideology and strategy among the Communist Party of India, the Communist Party of India (Marxist), the Communist Party of India (Marxist-Leninist) and the Andhra Pradesh Revolutionary Communist Committee, see Mohan Ram, "The Communist Movement in India", *Bulletin of Concerned Asian Scholars*, Volume 4, Number 1, Winter 1972, pp 32-42.

86 The Cominform intervened in 1951 to induce the Communist Party of India to abandon armed struggle (Ram, *loc cit*, 1972, p 34).

87 The movement originally started by the Kacha Naga religious leader Jadonang in 1929 and carried on intermittently by his woman disciple Gaidiliu into the 1960s seems in particular to have been a forerunner of the Naga nationalist movement, although confined to one tribe, and much smaller in scale (see Fuchs, *op cit*, pp 147-56).

88 By the time of the Tebhaga rebellion the zamindar or landlord retained rights to only a small proportion of the produce and the jotedar or occupying tenant received most of the surplus. By the time of the Naxalbari revolt the zamindars had been removed and the jotedars were the landlords.

89 Hamza Alavi, *loc cit*.

90 Kanu Sanyal, "Report on the Peasant Movement in the Terai Region", *Liberation*, Volume 2, Number 1, November 1968. For the circumstances surrounding the Naxalbari rebellion and for the attitude taken towards it of the Communist Party of India (Marxist) which was then in power in a coalition government in West Bengal, see *People's Democracy*, weekly organ of the CPI(M), Volume 3, Numbers 23-30, 1967. See also Mohan Ram, *op cit*, 1971, pp 38-71.

91 Mohan Ram, *op cit*, 1971, pp 165-169.

92 Mohan Ram, *loc cit*, 1972, p 42.

93 Mohan Ram, *op cit*, 1971, pp 136-163; *loc cit*, 1972, p 41.

94 *Frontier*, Volume 5, Number 30, November 4, 1973, pp 15-16.

95 Several massacres of Naxalites and supposed Naxalite supporters have been conducted in the streets by police or gangs of hired hoodlums, notably one in Baranagar on August 12, 1971, when about 1,000 goons, under police protection, rampaged over an area of two square miles and killed 150 Naxalites and their sympathisers (*Frontier*, August 21, 1971, p 1, and September 18, 1971, p 10). Using police figures, which in some cases are known to be much too low, it has been estimated that 1,788 members of the CPI(ML) were killed outside the jails in West Bengal between March 1970 and August 1971, and 42 (unofficially, 172) inside the jails in Midnapore, Berhampore, Alipore, Dum Dum and Howrah (*Frontier*, Volume 5, Number 40, January 13, 1973, pp 3-4.) In the same period, 368 members of the Communist Party of India (Marxist) were reported to have been killed outside the jails, but some of these are alleged to have been people who had recently left the CPI(M) for the CPI(ML). Nine members of other political parties, including the ruling Congress party, were killed in this period and 66 police, businessmen, moneylenders, landlords and others. In November, 1973, a trial began at Parvathipuram in Andhra Pradesh involving 68 leaders of the Communist Party of India (Marxist-Leninist) and 38 of the Andhra Pradesh Revolutionary Communist Commitee, perhaps the largest trial of Communist revolutionaries in history. The trial continues at the time of writing (May 1974). About 45,000 other revolutionaries or alleged revolutionaries are still in jails in India, many of them under the legal classification of criminals rather than of political prisoners. Many have been held for four or more years without being brought to trial.

96 See Hamza Alavi, *loc cit*, 1965.

97 On March 1, 1971, the Government of India sent about 10,000 paramilitary personnel into the districts of Warangal, Khammam and Karimnagar in Andhra Pradesh and subdued the revolutionary struggle there. Something similar to the Vietnamese strategic hamlet plan has been attempted in Srikakulam district, people of scattered villages being herded together in camps at three mile intervals so that food supplies to the guerrillas are cut off. No civilians are allowed out after dusk. Some 50,000 tribespeople were still confined in these hamlets in April 1974. (See Mohan Ram, *loc cit*, 1972, p 42, *Frontier*, Volume 5, January 27, 1973, p 8; and *Economic and Political Weekly*, Volume 9, Number 17, April 27, 1974, p 666.)

The Telengana Armed Struggle

Barry Pavier

Without understanding the nature of the Hyderabad economy and the nature of the State, it is not possible to understand what went on in Telengana in 1946-1951. This brief article makes an initial, tentative attempt to suggest some possible lines of enquiry.

The Hyderabad economy, while it was of a combined nature, was coming to be dominated by a capitalist tendency. For the large 'feudals', their operations in the capitalist structure were becoming more important than their pre-capitalist exactions. Concurrently with this there was growing at the village level a layer of rich peasants and small landlords, tending to merge into each other.

To build a movement on the basis of a multi-class front against the 'feudals', as the CPI tried to do, meant adopting the programme of this last-mentioned layer, who found that the intermediaries — i e, the jagirdars, etc — were impeding their progress. The inability of the Hyderabad State to grant reforms which would have satisfied them was an indication of the weakness, first, of the indigenous bourgeoisie, and, second, of the colonial dependent State whose attempt at developing State capitalism had barely begun.

This situation meant that, at an early stage, demands began to be raised which were not simply 'anti-feudal' but were for land and increased wages. And the CPI was completely unprepared for these demands.

P SUNDARAYYA's book[1] is an improvement on most other memoirs-cum-polemics which have appeared on the Telengana armed struggle.[2] It contains a lot of 'facts'. Thus, if anyone wants to know which villages were involved during which period, and when a particular area came to be affected, then it is no longer necessary to plough through the files of *People's Age* to piece together the information. But if one is looking for a satisfactory analysis of the armed struggle — which deals with the nature of Hyderabad's economy, the social basis of the State, and the nature of the armed struggle itself —, in other words, if one is looking for an analysis which *explains*, and does not just put the CPM line yet again, then one is in for a disappointment.

There is absolutely nothing in the book on the origins, and hence the nature, of the dominant landlord layer — the *deshmukhs*. There is thus nothing on how they exerted their control over the countryside, on how their various methods of extracting the surplus combined to put them in a position where the CPI could — however briefly — unite against them all the other layers of the rural population into one of the CPI's famous 'multi-class fronts'. Consequently, and more importantly, there is no analysis of the positions of these other layers of the rural population, which led to the collapse of the front — especially after the Police Action of September 1948 — as something suspiciously similar to class warfare developed between the small-landlord-rich peasant layer on the one hand and the poor peasants and agricultural labourers on the other.[3] The roots of this lie in the rapid changes which had been occurring in certain sectors of the Hyderabad economy in the twentieth century, particularly the rapid spread of cultivation of commercial crops notably castor and groundnut. A considerable proportion of this production, it must be noted, was exported to the UK, the US, and Europe; Hyderabad was thus very much in the mainstream of pre-World War II imperialism, and was not simply the feudal backwater that Sundarayya and others are so fond of portraying. The precise relationship of Hyderabad to British imperialism has yet to be established, but simply to label the Nizam as a stooge of the British is nevertheless misleading. Sundarayya's analysis of 'feudalism'[4] is not very helpful either. It merely lists land concentrated in the hands of the Nizam and a few large jagirdars (but has nothing on the origins and role of the two), the number of kinds of intermediary landholders, the various forms in which forced labour (*begar* or *vetti*) were exacted, and just off-handedly mentions other items. Sundarayya states, for instance, that "In those days, excise (*akbari*) contract meant full control over the villages.[5] How? Sundarayya just leaves you up in the air. Yet, as we shall see, the importance of the excise contract lay in providing the cash for moneylending. This neglect by Sundarayya of a whole area of economic leverage is symptomatic of the fact that Sundarayya — in spite of writing a 650-page book — just like the rest is not interested in trying to find out what was really going on. It is almost as though he just wants to bash the CPI and the Naxals, just as they want to bash him and each other.

The point is that, without understanding the nature of the Hyderabad economy and the nature of the State, you cannot understand what went on in Telengana during 1946-51. What follows is an initial, tentative, attempt to suggest some fruitful lines of enquiry.

First the *deshmukhs*. These were, in the 1940s, the layer of the very large landowners in Telengana. They owned from 2,000-3,000 acres at the lower end to 160,000 acres at the upper as in the case of the Janareddy family of Nalgonda District. Their origin can be traced to the administrative reforms of Salar Jung I, prime minister of Hyderabad state in the 1860s and 1870s. The reforms abandoned the previous practice, of auctioning off the revenue-collection in the government-administered areas to farmers, in favour of direct revenue collection by the State. The 'revenue farmers' were given land in compensation. Most of them availed of the opportunity to seize as much of the best land as they could. They also received a pension. The *deshmukhs* were thus given a dominant position in the rural economy which they proceeded resolutely to strengthen during the succeeding decades. It was not possible to directly cultivate more than a few hundred acres, even with the use of *vetti*; consequently, most of their land tended to be let out on tenancy or was left fallow. The *deshmukhs* combined landlordism with moneylending — in contrast to the moneylenders in the Marathwada region of Hyderabad, who were mainly Marwaris taking no direct interest whatsoever in cultivation and being content to receive rents.

In this context, the introduction of



Chairman, Shri A. N. Haksar's statement at the Sixtythird Annual General Meeting on Thursday, 1st August, 1974.



Shri A. N. HAKSAR

INTRODUCTION

On behalf of the Board of Directors, I welcome you to this 63rd Annual General Meeting of your Company, and extend to you our most cordial thanks for your presence here today.

Shri A. K. Mitra and Shri J. B. Singh, both Directors of your Company, retired from the Board from 2nd April 1974, after many years of service. I would like to place on record our deep appreciation of their services, and wish them both all the very best for the future. Your Board has taken this opportunity to enlarge its membership in order to strengthen the management machinery at the highest level. Shri S. K. Banerjee, Shri A. Basu, Shri S. Ghosh, Shri R. Monani and Shri J. N. Sapru joined the Board on 2nd April 1974.

Your Company continued to receive awards and tributes from many directions in recognition of creditable performances in various sides of its business. To cite a few :

1. The Indian Merchants' Chamber Diamond Jubilee Endowment Trust selected your Company for their Award for "outstanding contribution for improvement of Industrial Relations". This Award was made in February this year and was in the nature of an unsolicited public recognition on the heels of the Federation of Indian Chambers of Commerce & Industry's Award to us in 1972 for similar outstanding performance in Industrial Relations.

2. At the World Selection for tobacco and tobacco-made products held in Paris this year, all six ITC brands of cigarettes entered received Awards. INDIA KINGS, with six gold medals to its credit now, is the only Indian cigarette to be so honoured.

3. As an Eligible Export House, your Company's exports of non-tobacco products earned it the Export Badge of the Chemicals & Allied Products Export Promotion Council.

4. Our Diversification & Export Press Advertising Campaign launched by one of our advertising agencies late last year, received the Air India trophy, which is the Commercial Artists' Guild's (CAG) highest Award.

5. Our Printing and Packaging Division at Tiruvottiyur —which, by the way, has always produced our Report and Accounts covers—has won the India Star Award for 1974 in March this year.

REVIEW—RESULTS

The Report of the Directors, which is already with you, will indicate that the Company has completed another successful year of operations. Corporate turnover, led by a demand revival of our cigarettes and tobacco products, has shown an impressive growth of over 20% compared to last year. Our exports of non-traditional items have continued to forge ahead, and this year have reached nearly Rs. 6 crores—a long way from a humble beginning made only three years ago. Our profits continue to be progressive and healthy, a result I am happy to report, when note is taken of two relevant factors : firstly, the economic crisis that surrounds the industrial environment and secondly, the inhibiting effects of an excise structure based on obsolete premises.

INFLATION IN THE ECONOMY

The nation has known inflation for almost two decades, and accepted a reasonable level of around 6% to 8% as an inescapable phenomenon which accompanies the conversion of an agricultural community to an industrial society. The origins of the present inflationary phase may be traced back to 1970/71 and 1971/72, when massive public outlays were made and staggering budgetary deficits resulted. Fortunately, these particular years witnessed buoyant agricultural outputs, which overcame the constraints of arrested growth of industrial production and thus the overall price escalation forces were temporarily held in leash. This volatile position could not be sustained indefinitely and with the1972 failure of the monsoon, the lid on runaway inflation was taken off. In 1972/73, prices of foodgrains and agricultural commodities registered a sharp increase, and with modest increases in other sectors, the wholesale price index of all commodities escalated over 20%.

Conditions during the year under review were even more depressing. Not only did the rate of inflation in the agricultural sector not reduce despite better harvests, but the cancerous growth of runaway inflation extended into other vital areas of power and fuel, transportation, intermediate

products and industrial goods among others. This all round character of inflation, which seems to gather momentum with every passing month since the middle of 1973/74, is the most disquieting feature of the current inflationary spiral, apart from the fact, of mere statistical importance now, that inflation was of the order of 25% by the end of the year. Growth in industrial production, which has almost come to a standstill, has been continuously impaired by shortages of raw materials and essential inputs, transport bottlenecks and widespread power crisis.

THE MANAGEMENT OF INFLATION

Your Company has firmly believed that its prosperity, current and future, is inexorably interwoven with the fund of consumer goodwill that your Company's products enjoy. This has been carefully nurtured and constantly reinforced over many years of genuine concern for, and service to, the consumer on numerous fronts, mainly centred around quality, variety, price and ready availability in the right quantity in the right place at the right time in prime condition. The second consecutive year of extraordinary inflation seriously threatened to undermine the basic foundations of consumer service, so assiduously developed over six decades.

The threats were quickly perceived early in the year and prompt action was taken to face up to the twin challenges of uninterrupted production and timely distribution on the one hand, and the management of inflationary costs on a priority basis on the other. The organisation was put into top gear to achieve closely-controlled physical targets in every sphere of its business and a series of measures were taken to beat inflation through innovation and productivity. The situation demanded quick reflexes to meet rapidly changing market conditions and it is to the credit of your Company's employees that they were unsparing in their efforts to keep the wheels of production in motion and responded to every need in the market place. Standby power generation arranged at our major production units, planned machine maintenance and overhauls, and efficient programming of manufacture resulted in more effective utilisation of productive capacity and higher machine efficiencies. Certain raw materials of indifferent quality did pose some problems, but none were too great that could not be resolved with adaptive technology and innovation designed to reduce waste and maintain product quality.

Prices of some major raw materials continued to escalate alarmingly throughout the year, but stricter financial discipline, better utilisation of plant and machinery, higher labour productivity and improved conversion efficiencies blunted their effect on unit product costs. I am pleased to state that unit product costs were not allowed to increase over 5% on average for 10 months of the year. This creditable productivity performance under such adverse circumstances provided your Company the necessary strength to refrain from making price adjustments over and above any that were absolutely essential, and in any case, to defer making them until the last possible moment in the consumer interest.

But here I would like to sound a note of caution. It must be recognised that while the concerted attempt at cost reduction has paid handsome dividends, it must also be realised that this has resulted in the fore-closure of a number of productivity options during the year. To expect an equally sterling performance in the future year in the wake of all round inflation showing no signs of abatement, despite our best efforts which continue, would be unrealistic. Invariably, unit product costs will mount more sharply than in the year under review, thereby exerting greater pressures to raise net prices to maintain present bedrock margins.

EXCISE

I have earlier said that your Company recorded an impressive growth of corporate turnover, out of which the traditional business has accounted for Rs. 43 crores. However over three-fourths of the incremental turnover has accrued to the Government in increased collection of excise duties—a total additional revenue of Rs. 37 crores in one year, a level of marginal collection it took your Company three years in the immediate past to achieve

This grinding pace of resource mobilisation from your Company and most others in the cigarette industry has some very serious implications, because the strategy of revenue maximisation by the Government invariably relies on frequent and stiff escalation of cigarette excise duty rates, without any apparent concern for the buoyancy of the taxable value base, which in turn is wholly dependent upon volume expansion. A simple illustration will highlight this point. During the last five years, cigarette excise collections have increased from Rs. 108 crores to an estimated Rs. 240 crores this year, a spectacular increase of 120%. During this period, industry volume on which these duties have been paid has only increased by 8%. This inordinate reliance on higher and higher duties is unquestionably a 'high-risk' course, because this policy has resulted in a growth of only 21% in the taxable value base during five years. An indirect taxes policy on cigarettes which only allows a 4% natural expansion annually in the taxable value, is prima facie in need of overhaul.

Per capita consumption in the country is about 9 cigarettes per head per month, and therefore the scope of volume expansion is unlimited. It only needs the adoption of a growth-oriented taxation policy to replace the existing excise structure to unleash the forces of demand followed by production, for which considerable unutilised capacity currently exists and more is in the process of being set up, and for which purpose virtually all inputs are indigenously available. I submit that a reassessment be made of the Indian cigarette consumer in order to determine the structure of demand, and a totally rational cigarette excise system be devised, which would also take into account current realities of the costs of production.

Two proposals automatically come to mind. Firstly, immediate steps should be taken to fix a more pragmatic ceiling of combined duties at say 200% ad valorem in place of the present 320%. The latter has the effect of extracting from the consumer a punitive premium of Rs. 4.20 in extra price, to enable the manufacturer to compensate Re. 1 of inflation. And secondly, the automatic buoyancy in revenues at current rates, afforded by significant increases in unit taxable values following the expected spurt in unit product costs in 1974/75, should be borne in mind by the authorities when next contemplating tariff revisions.

THE NEW LOOK

At an Extraordinary General Meeting of your Company held on 14th March 1974, you unanimously passed a resolution which changed the name of our Company from India Tobacco Company Limited to I.T.C. Limited. This heralds more than just a name change, for the change itself represents the culmination of several years of conscious identification of Company objectives with national aspirations, and the pledge to continue to reinforce this identification further in the months and years to come. With the continued development and accelerated progress of our diversified activities, your Board felt that the name of the Company should no longer be merely associated with tobacco. Although the cigarette and tobacco business will remain our primary interest in the foreseeable future, we are seeking to spearhead progress through growth from within, with the accent on vital new priorities. Hence, I.T.C. Limited from 1st April, 1974.

During the year, considerable progress was made in the execution of the Company's Hotels project. Construction of Hotel Chola in Madras is in full swing and it should be fully on stream by the end of 1974. Suitable sites have been

located at Agra and Delhi, where work is scheduled to commence later this year. Designed to attract foreign custom, this project, in the priority sector, is expected to generate foreign exchange earnings of about Rs. 3 crores annually when in full operation, and create direct employment for about 1,500 persons, apart from indirect employment generated in quite a few small scale industries, especially those employing artists and craftsmen.

Our Marine Products business has turned in another year of increased turnover, having exported a wider range of frozen and canned products, principally to the USA and Japan. This phase of our business has been the first step in the establishment of an integrated activity of trawling and procuring, processing at our processing plants and exporting our Marine Food products. The stage is now set for the commencement of the next phase—independent trawling operations and the setting up of shore establishments to process the catch. These establishments are proposed to be located in backward areas and when in full operation will create direct employment for about 1,000 people, and in addition indirect employment through ancillary industries and suppliers.

Exports of other non-traditional goods of a wider range and to diverse customers in international markets have been achieved. Products include wrapping and packing materials, myrobalan, chemical and allied products, engineering goods and leather products in addition to cigarettes. Emboldened by our success, we have opened an export office in New York.

With the transformation of the Company from a unified traditional tobacco business to a clearly identified multi-product, multi-activity operation, it has become essential to reorganise ourselves internally, in order to satisfactorily manage and control the associated stresses and strains. To this end, it has been decided by your Board to divisionalise the Company's operations, whereby each business is identified and is allowed to function as an independent division, complete with its own management team, under the overall ITC umbrella. And so there is the emergence of the Tobacco Division, Hotels Division, Marine Products Division, Printing and Packaging Division and General Exports Division. Management strength is being imparted to each division by blending the best entrepreneurial talent with professional management. It is my belief that ultimately the dynamics of any business are provided by the leadership of its top management and the quality of its decisions. In recognition of the challenges ahead, including the paramount need to harmonise and integrate divisionalised operations in the present industrial environment, it is befitting that your Board has been enlarged and strengthened.

Two years ago I had mentioned, on a similar occasion, the desire of your Board to Indianise the equity shareholding of your Company beyond the stage reached after the January 1970 issue of equity shares to Indian Nationals, and reported the approval in principle of the Government in this context. I am happy to state that necessary sanctions have been obtained by the non-resident shareholders to offer for sale a part of their equity shareholding to Indian Nationals, in such manner as prescribed by the Government, which upon completion, expected by the end of next month, would have the effect of increasing Indian participation to 40%. This offer, in which existing Indian shareholders, our employees, the general public and others are invited to subscribe, will be made at par, thereby conferring substantial benefits on the Indian investors. Other specific proposals are before the Government, which upon implementation will result in the foreign shareholding reducing to a minority in the near future, and to under 40% in the foreseeable future. Our foreign shareholders deserve our thanks for having appreciated the Government's policy in this regard long before it was widely publicised and having commenced the process entirely voluntarily some years ago. This carefully paced operation will provide the Company, as it has in the past, the opportunity to gradually adjust to the changing circumstances, without imposing any unnecessary burdens.

CONCLUSION

And finally, I shall attempt a look into the future of your Company. It is no secret that in recent months, the industrial picture and business conditions have been no better than towards the end of the year under review. The series of Ordinances just promulgated, it is hoped, will achieve the results for which they have been designed, for only then would there seem to be any purpose in the sacrifice you are temporarily required to make in terms of the Companies (Temporary Restriction on Dividends) Ordinance.

In I.T.C. its people are its greatest asset and we owe each and everyone of them our gratitude for their willing and spontaneous co-operation in these difficult times. In them resides our greatest strength, which we continually keep fortifying as a matter of deliberate policy. In any period of trial, such as we face in the immediate future, the mettle of all of us who work in the organisation is put to test. I am convinced that your Company is appropriately equipped to face the challenges with courage and determination, and we can look forward to the future with some measure of confidence.

This does not purport to be a report of the proceedings of the Annual General Meeting.

the requirement to pay revenue in *cash* in the late nineteenth century became important. Cash was very scarce in the villages, and the major source of it was the landlord. The landlord obtained most of his own cash from the proceeds of his excise contracts. Most other lending was in the form of grain; indeed most people who had a grain surplus used at least a part of it in this manner.

Thus many rich peasants and even some middle peasants would be moneylenders; and this would perhaps gain tenancy or even possession of land by resuming a debt. Any crisis which led to an inability to meet debts in fact led to a wave of land alienation, which was especially marked in Telengana during the Depression. It appears that, during that period, alienation in favour of the rich peasants was particularly marked; the rich peasants tended to have excess bullock-capacity which could be utilised by acquiring more land, which would result in an increase in production, which would help to offset the fall in prices. Unlike in Marathwada, alienation often meant that the victim was thrown off his land, instead of remaining as a tenant on the same land.

The effect of the fall in commodity prices in the early 1930s[6] shows the increasing importance of commercial crops in the economy. Hyderabad had 54.3 per cent of the total Indian acreage under castor, 90 per cent of which was sown in the Telengana region,[7] and 15.6 per cent of the total acreage under groundnut.[8] The introduction of these two crops had the effect of making large areas of previously almost useless land valuable. These crops grow well on the red, sandy, soil of Telengana which will support almost nothing else. Moreover, as they were the most profitable dry crops, they were cultivated by almost everybody — either to accumulate a surplus or to pay off debts. The proven viability of these crops in the region gave an impetus to land alienation, as people now tried to get hold of land which previously was not worth bothering about. The recovery in prices after 1933[9] assisted this; indeed, the wave of evictions during the War was at least partly due to the boom in prices — the price of castor had trebled between 1939 and 1944.[10] The other reason behind the evictions was the attempt to forestall a Tenancy Act which was to give a tenant security of tenure after six years of continuous occupation. Although it was highly unlikely that many tenants would have been able to produce documents certifying their tenure after even six years, many landlords evicted the existing tenants and put in fresh occupants just to doubly secure their possession of the land.

The issue of tenancy legislation raises the question of the nature of the State. Although that Act, and a number of others passed in the same period,[11] were uniformly feeble in content and inoperative in practice, they were nevertheless indicative of the anxiety of the government about the decline in the condition of most peasants. This is evident from the quite considerable volume of reports published by the state government after 1930.[12] There was a stream of documents on co-operation (which fared as badly in Hyderabad as in the rest of India), on the use of improved seeds, on better methods of cultivation and animal husbandry. Leaving aside the moralising about the peasants' 'ignorance', 'superstition', 'unproductive expenditure', what surfaces quite clearly is the desire to promote 'progressive' (i e, capitalist) agriculture, based on a rather idealised notion of a hard-working, progressive, yeoman farmer. It is never even hinted that, the real reason why all the supportive effort for farming had so little effect was the inability to 'solve' the problem of land alienation and indebtedness. Such explicitness would have entailed an attack on the landowners and moneylenders who were, after all, the social basis of the State. Therefore, the efforts to reform agriculture were essentially efforts to 'reform' landlords and moneylenders. It should have been clear to the State that while the landowners and moneylenders could dominate the countryside by exacting 'feudal' dues and exorbitant rates of interest, such supportive efforts were as effective as whistling up the wind.

Of course, legislation and propaganda were not the only means at the State's disposal for promoting capitalist agriculture. The establishment of large-scale irrigation works was a considerably more successful means than either legislation or propaganda. The most important project was the provision of irrigation canals from Nizamsagar Reservoir in Nizamabad District, in the north-west of Telengana. This was completed in 1934-35, and it led to the rapid spread of the cultivation of sugarcane and subsequently to the establishment of the Nizam Sugar Factory in 1937. Although the initial project had come in as a memorandum from a number of jagirdars, landlords, and government officials, the Hyderabad Government had a majority shareholding in the project. What developed was a little island of capitalist agriculture, with the cultivation of sugarcane by individuals and by the factory itself. At the same time, there was a large increase in the area under paddy — from 20,000 acres to 300,000 acres.[13] This meant that a certain section of the jagirdar and *deshmukh* layers were involved in several different sectors: in the pre-capitalist sector with regard to their tenants, in the 'progressive' capitalist agricultural sector, as well as in the industrial sector.

This 'combined' nature of the economy was reflected in the nature of the industrial development of Hyderabad, limited though this was. A few of the large landowners worked closely with the government, and the government by 1945 had a majority shareholding in almost all the major industrial enterprises through the Industrial Trust Fund which had been established in 1930 for the specific purpose of promoting industrial development. The private interests' role was to serve as the managing agents. Although the very orthodox budgetary policy of the government undoubtedly hampered industrial expansion in pre-War years, by 1945 the Post-War Planning Committee had produced a development plan which was much more ambitious than anything previously attempted.

The plan,[14] aimed to cover fifteen years, was an attempt to build a significant industrial base and to develop agriculture through a series of large-scale irrigation works and what might be termed 'green revolutionising' *via* large-scale introduction of pumpsets, improved seeds, etc. It was explicitly stated[15] that the State was the only agency that could accomplish this task, which was recognised as being essential for the survival of Hyderabad State. The plan had as its core a co-ordinated industrial, power, and irrigation scheme in the Godavari valley, and it pivoted around a new industrial town in Adilabad district — the most northerly and backward of Telengana. This project was consciously modelled on the Tennessee Valley Authority. The development plan envisaged a total expenditure of Rs 260 crores over the first 10 years — quite an advance on the era of the Nizamsagar Project (Rs 5 crores) and the Industrial Trust Fund (Rs 1 crore). The intention apparently was to build the industrial and the capitalist agricultural sectors without directly affecting the position of the ja-

girdars, who were neither to be brought into the state revenue system nor to be expected to mobilise any additional resources in the countryside. In fact, reading the plan, it is clear that the proposed sources of finance were inadequate as they stood, and that any substantial rise in costs would have meant, either a cut-back in the plan or resort to deficit financing or need to move against the 'feudal' sector. In any case, the fact that the plan envisaged that development could be undertaken alongside of the pre-capitalist sector, again illustrates the essentially combined nature of the economy.

So what were the conclusions that the CPI ought to have drawn, had they made an analysis of the actual situation, which, of course, they didn't? The key point is that the economy, while it was of a combined nature, was coming to be dominated by a capitalist tendency. The large feudals' operations in the capitalist sector were becoming more important for them than their pre-capitalist exactions. For instance, the Janareddy family, who as mentioned above owned 160,000 acres, was reportedly considering concluding a deal with the CPI at the height of the armed struggle whereby it would give up all its land *except* an 800-acre mango grove: An extreme example, perhaps, but one which serves to make the point. Concurrently with this process, there was growing at the village level a layer of rich peasants and small landlords, tending to merge into each other, who would generally alienate land in their own favour not to let it out on lease but to cultivate it directly. To build a movement on the basis of a multi-class front against the 'feudals' — as the CPI did — meant that they were in effect adopting the programme of this last-mentioned layer aiming at direct cultivation for profit, who found that the intermediaries, i e, the jagirdars, etc, were impeding their progress. The inability of the Hyderabad state to grant reforms which would have satisfied them was an indication of the weakness of, first, the indigenous bourgeoisie and, secondly, a colonial dependent State whose attempt at developing State capitalism had barely begun.

But, at an early juncture, demands began to be raised which were not simply 'anti-feudal' and which were raised largely by poor peasants and agricultural labourers. The demands were for land and increased wages. And the CPI was completely unprepared for either. These were taken up in anything approaching a systemised manner only by the Nalgonda District unit,[16] and even there most activity before 1947 was *ad hoc* action to meet particular situations which had arisen spontaneously, rather than part of any serious, regular, organising work among the peasants and labourers. In the rest of the state, the CPI lined up behind the Congress — and so, in effect behind the small landlords and rich peasants — and it campaigned for the accession of Hyderabad to the Indian Union. In Nalgonda, however, the CPI unit actually started to seize and distribute land — first, land which had been legally or illegally alienated over the previous two or three decades, and then as they discovered the demand for land to greatly exceed this, the entire land of pro-Nizam elements. Even this could not satisfy the demand for land from poor peasants and the landless; so they were obliged to implement a ceiling, starting at 500 acres, which was successively reduced to 200, and finally in August 1948 to 100 acres. The pressure which brought about this movement came very much from below. Even Sundarayya shows, although he does not explain how or why, that the party was being continuously driven to the Left by the poor peasants and agricultural labourers.[17]

This activity quite clearly raised the question of State power, as it involved at least the neutralisation of the local agencies of the State and the formation of defence squads against police raids. The CPI's initiative stopped with the setting up of village committees. These, locally called *gram rajyas* and sometimes ludicrously referred to as 'Soviets' (though not by Sundarayya), were in fact nominated by the CPI local cell in consultation with the village 'leaders'. In fact, however, 'village leaders' was a euphemism which covered landlords and rich peasants. The assembled village was presented with a list to accept or reject. Although village committees performed functions such as overseeing land distribution and controlling irrigation and drainage, and although in 1948 an attempt was made to strengthen the poor peasant element in them and to add an agricultural labour sub-committee in some places, they had little real substance to them.

There occurred, towards the end, a number of what Sundarayya terms 'mistakes' — i e, actions against rich peasants,[18] forcing them to return land which they had acquired through grain-lending. Now actions like these can be termed 'mistakes' only in the context of a multi-class front such as the one the CPI imagined it could build. Such actions would be rather less of a 'mistake' if it was aimed to have a movement which was becoming increasingly dominated by the agricultural labourers, poor and middle peasants, and artisans. It was in any case these layers, according to details given by Sundarayya himself,[19] who provided 80 per cent of the CPI activists throughout the period. Talk of the need to maintain the unity of the front in these circumstances is less tenable. The 'mistake' may then be seen to lie in the attempt to restrain the development of the struggle in the hope of retaining the support of the upper layer who were initially vacillating and latterly treacherous.

Following the Police Action, when the Congress very promptly gave the concessions which the small landlords and rich peasants wanted — jagirdari abolition (1949) and a tenancy act giving security of tenure and right to purchase if you could afford it (1950) — most of them promptly lined up behind the Congress. Sundarayya does in fact quote documents to show how that, immediately after the Police Action, rich peasants began to inform on CPI cadres.[20]

The offensive which the Indian army launched, barely a fortnight after the Police Action, effectively wiped out the CPI organisation in the plains areas and forced the survivors to take refuge in the forest regions along the Krishna and Godavari rivers. The CPI was thus yet again caught totally unprepared: They had believed that any military intervention by the Indian government would lead to a Kashmir-style stalemate. As a result, many of their cadres actually surrendered their weapons to the Indian army, while others buried them and went home. In any event, there was wholesale arrest of activists. Not even in Nalgonda where the party organisation was much tighter could they offer any serious resistance. The peasants were left to defend themselves as best they could.

Why? Was it because of inherent difficulties in working in such a situation, or was it because of the nature of the CPI itself which had no political organisation above the village level except the party itself. In mid-1948, when they had at least partial control over large areas of Nalgonda and Warangal districts, there was no attempt (apart from one 120-man squad) to establish

a military unit larger than a squad covering three or four villages. No large-scale military operations were in fact possible, because there was no political organisation above the village level which could have brought these formations into existence. There were no independent organisations of poor peasants or agricultural workers. Indeed no one ever thought of organising in this manner. The political expression of the kind of front the CPI believed it was trying to build was a Constituent Assembly — which was one of the CPI demands right from 1942.

With such a lack of political organisation and lack of self-activity by those whom they were supposed to represent, it is not surprising that the village committees collapsed so abjectly. The Army simply moved in, arrested the committee and anyone else who was known to be sympathetic to the CPI — often anyone else who just happened to be around — and there was no organisation left to carry on underground work. The cadres were exposed, and those who could had to get out never to return except as tiny touring groups constantly on the move and capable only of individual assassinations. Sundarayya's account of the spontaneous strikes by agricultural labourers in 1950[21] only serves to emphasise this, as the squads which were then operating in Nalgonda and Hyderabad districts could merely give ineffectual advice such as 'unite' (!), before having to move on quickly to avoid the army.

This incapacity to develop a coherent perspective, which would have eliminated the improvisations that the CPI was constantly driven to seek, prevented any co-ordination of the party's work in different sectors. The trade union organisation in Hyderabad, in smaller centres like Warangal town and Kothagudem coal mines in Telengana, and in Aurangabad in Marathwada, had the predictable qualities of being bureaucratically deformed and reformist. The defects of the CPI's working class organisations, which were a reflection of the party's politics as a whole, were most important in regard to their attitude towards a party called the Majlis-i-Ittehad-ul-Muslimin, which organised a fascist-style militia, the Razakars, to attack any sympathisers of the Congress or the CPI, and who were active in Telengana.

By 1947, reliance on the Ittehad had become the last strategy which the Hyderabad ruling class saw open to it in an attempt to stave off accession. But by 1947, the CPI trade unions (organised since March 1946 in the All-Hyderabad Trade Union Congress) had been broken up. In raids in October 1946, shortly before one of the CPI's general strikes, 43 out of 46 of the executive members of the AITUC had been arrested. Given the bureaucratic nature of the unions, all that remained was to pick up a few militant workers, and that was the finish of effective working-class action — the lack of which Sundarayya laments, again without explaining.[22] While admittedly small, the working class tended to be concentrated; in the case of the railway workers, it had a long history of organisation and struggle and held a key position in the Hyderabad economy. The industrial workers were the only organised section who could have given a lead in fighting the Ittehad's communalism, and thus drawn in the intermediate layers who comprised the bulk of the urban population. Instead, the ground was cut from under their feet by the Ittehad, principally because of the CPI's policy of declaring it a 'people's organisation' and offering it 50 per cent of the seats in a Constituent Assembly "to combat communalism, [and as it] protected the urban core of Hyderabad state"! By 1946, the Ittehad was well established; and once again there was a collapse as a result of the failure to build independent organisations based on the self-activity of the working class, at a time when the defeat of communalism would have put the complete overthrow of the Nizam's regime on the agenda.

The net result of the CPI's policy was that, by the beginning of 1949, they were reduced to small squads being chased around the hills by the Indian army. The land distribution programme taken as a whole was finished, and the 'defence' was almost entirely left to the peasants themselves. Only a few underground and passive cadres remained permanently in the plains areas. The struggle between 1949 and 1951 was of a distinctly different nature — in forest areas amongst a relatively undifferentiated tribal peasantry with a much lower cultural level, where the establishment of village committees was of comparatively little use. Once again, CPI cadres ran into previously unsuspected problems and were compelled to improvise, just as they had done in the beginning in the plains areas.

Which bring us around to the turgid debate as to when, if ever, the armed struggle should have been called off. The present-day CPI, of course, would have liked it to stop after the Police Action, once the 'anti-Nizam struggle' had been consummated. The CPM leadership, while not disavowing the struggle after September 1948 would say (and does, interminably) that it should have been conducted for the 'partial demands' of 'protecting the gains made', and that it was 'sectarian' in trying to capture State power from the Indian government.[23] As has just been pointed out, talking of trying to 'protect the gains' neglects the simple fact that the CPI was almost totally *incapable* of doing so. The participants in the debate as carried out thus far commit a basic mistake; because, to raise *any* demands which orginated from the poor peasantry and agricultural labourers would have *automatically* raised the question of State power, as at that particular conjuncture the ruling class, both in Hyderabad and in India, as a whole, were incapable of granting *any* concessions to those layers. Those few people who did raise the question of State power did so only in the context of 'the Chinese Path', which originated in the Andhra Letter of June 1948. This originated from the Andhra Provincial Committee of the CPI, and was a critique of the Political Thesis of the Second Congress of the CPI held in February 1948, which amongst other things had come out against an alliance with the rich peasants. Since this was based on a study of precisely two documents — Mao's "On New Democracy" and "On Guerilla Warfare" — one would feel justified in suggesting that they were perhaps a little hasty. To assert, as some of them do now, that bases should have been prepared in the forest areas in preparation for a retreat is correct if it means that contingency plans should have been made for a defeat. But if it is meant as a positive strategy, then it is objectively defeatist. Yenan was not built on the basis of a victory, but as the result of a defeat. The defeat of 1948 in the plains was not primarily the result of the inherent impossibility of working under difficult conditions, such as obtained after the advent of the Indian army which was much better equipped and organised than the Hyderabad forces, but the result essentially of the bureaucratically deformed nature of the CPI. The campaign, by the end of 1951, had degenerated into a collection of *focos*, almost completely isolated from the elements in the plains who had been their principal support.

The nature of the CPI cannot be

understood independently of its origins as the Indian section of the deformed post-Lenin Comintern. With every 180° switch in Comintern policy, as it leapt from one disastrous defeat to another, you would find the CPI padding obediently along behind. The gap between 'the theoreticians' and 'the rest' was never more nakedly exposed as in the discussions before the production of the 'Andhra Letter'. No one, apart from the five or six members of the Provincial Committee, participated in these discussions. In fact, no one else *knew* that they were taking place. How could they? it was none of their business; the party statutes expressly forbade it! So, even though some of the Provincial Committee members wanted to raise the discussion more widely, they had to wait for the Polit Bureau to 'organise an inner-party discussion' — which never took place, of course.

This bureaucratisation reached the absurd level that the Nalgonda District Committee could only give a leaflet on how to organise land distribution to cadres from an adjoining district *via*, and with the permission of, the Provincial Committee. Indeed, without the local initiative of the Nalgonda District Committee, it is perhaps unlikely that there would have been any 'armed struggle' at all — merely a generalised 'anti-Nizam struggle', ending in a total collapse of all activity after September 1948.

The CPI was incapable of fulfilling the role of the revolutionary party — to prepare the working class for power and to give the correct political leadership in a revolutionary situation. The latter situation never arose, partly because the CPI could not fulfil the primary role of building independent organisations of the working class and poor peasantry, as its perspective was firmly fixed on substituting the party for the self-activity of the working class.

Notes

1 P Sundarayya, "Telengana People's Struggle and Its Lessons", CPI(M), Calcutta, 1972.

2 For instance Raj Bahadur Gour, "Glorious Telengana Armed Struggle", CPI, New Delhi, 1973; C Rajeshwar Rao, "The Historic Telengana Struggle", CPI, New Delhi, 1972; Ravi Narayan Reddy, "Heroic Telengana, Reminiscences and Experiences", CPI, New Delhi, 1973; D V Rao, "Telengana Armed Struggle and Path of Indian Revolution", Proletarian Path Publications, Calcutta, 1974, which is probably the best of the lot.

3 I have avoided trying to put forward a precise definition of what exactly is a rich peasant, poor peasant, etc, as such a definition would probably vary within Telengana itself, let alone within the Hyderabad State as a whole, and the necessary data are not yet available.

4 Sundarayya, *op cit*, pp 9-16.

5 *Ibid*, p 12.

6 Anwar Iqbal Qureshi, "The Economic Development of Hyderabad, Volume I", Orient Longmans, Bombay, 1947, pp 263-4, 270.

7 *Ibid*, pp 53-4.

8 *Ibid*, p 54.

9 *Ibid*, p 270.

10 *Ibid*, p 250.

11 Hyderabad Bagela Agreement Regulation 1936; Moneylenders' Act 1938; Debt Conciliation Act 1938.

12 Agricultural Indebtedness in HEH The Nizam's Dominions, 1937; The Hyderabad Banking Enquiry Report, 1930; Report of the Tenancy Committee, 1930, for instance.

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14 "Report on Post-War Planning, Incorporating The First Five-Year Plan", The Post-War Planning Secretariat, HEH the Nizam's Government, Hyderabad, 1945.

15 *Ibid*, p vii.

16 D V Rao, *op cit*, p 15.

17 Sundarayya, *op cit*, p 117.

18 *Ibid*, pp 240, 298.

19 *Ibid*, Chapter X. I am indebted to D N Dhanagre for this point.

20 *Ibid*, p 257, pp 259-35.

21 *Ibid*, pp 213-15, p 237.

22 *Ibid*, p 136.

23 *Ibid*, pp 391-416.



Changing Pattern of Inter-Party Competition in Uttar Pradesh

An Analysis of the 1974 Election

V B Singh

Though many political parties suffered a decline in their share of votes in the Uttar Pradesh election earlier this year, they registered substantial increases in their share of seats in the Assembly. The one to benefit most from this electoral phenomenon was, of course, the ruling party. This has caused serious concern about the 'unrepresentativeness' of our electoral system. The widening gap between electoral wishes and poll results has visibly increased with this election.

Moerover, while the pre-poll assessments had shown the Congress party all set for a severe drubbing, the results belied such expectations. How did this happen? Why could not the opposition parties, particularly the BKD and Jan Sangh, do better? How could the parties polling less than their tally of votes in the previous elections muster more seats in the Assembly?

These are a few important questions, answers to which may throw some light on the working of our electoral system. We propose to examine these questions by focusing our discussion on the following:

First, we shall detail briefly the party position in terms of 'then and now', i e, the position brought about by the 1969 elections, the subsequent defections, and the situation obtaining after the 1974 poll.

Second, we shall discuss the changing matrix of inter-party competition, and its implications for the future party system in the state.

Third, we shall examine the regional support structure of the parties, in terms of their losses and gains between two elections.

And, finally, we shall highlight the relationship between the representational apparatus and the party system, as it has grown from one election to another.

AN outstanding feature of the Uttar Pradesh election is that though many political parties suffered a decline in their share of votes they registered substantial increases in their share of seats in the Assembly. The one to benefit most from this electoral phenomenon was, of course, the ruling party. This has caused serious concern among the psephologists and politicians as to the 'unrepresentativeness' of our electoral system. For, the everwidening gap between the electoral wishes and the poll results has visibly increased with this election.

This is evident in that 67.8 per cent of total electors actually exercising franchise in this election were opposed to the Congress party, yet they could not prevent it from assuming power. That is, the Congress captured a majority in the legislature with only 32.19 per cent of the total votes. Interestingly, it had failed to do so in the 1967 and 1969 elections, when it had polled a larger share of the votes than in this election. Moreover, while the pre-poll assessments by pollsters and journalists had shown the Congress party all set for a severe drubbing — and, in fact, the ruling party was never before placed so disadvantageously as in the 1974 election with the people having suffered acute economic hardships — the results belied such expectations. It was, indeed, one of those elections that could well be considered most opportune for the opposition parties. The opposition parties, too, were well prepared to exploit the situation. The Bharatiya Kranti Dal (BKD) and the Jan Sangh were especially hopeful of acquiring a majority. But the results were far removed from their expectations, as also those of the Congress party. How did this happen? Why could not the opposition parties, particularly the BKD and Jan Sangh, do better? How could the parties polling less than their tally of votes in the previous elections, muster more seats in the house?

These are a few important questions, answers to which may throw some light on the working of our electoral system.[1] We propose to examine these questions by focusing our discussion on the following: First, we shall detail briefly the party position in terms of 'then and now': i e, the position brought about by the 1969 elections, the subsequent stage of defections, and the situation obtaining after the 1974 poll. Second, we shall discuss the changing matrix of inter-party competition, and its implications for the future party system in the state. Third, we shall examine the regional support structure of the parties, in terms of their losses and gains between the consecutive elections. And finally, we shall highlight the relationship between the representational apparatus and the party system, as it has grown from one election to another. By applying the insights of political sociology to electoral statistics, we intend to examine how problems of electoral representation are essentially problems of the relationship between the party system and the prevailing social structure — particularly the socio-economic cleavages in the society — and how, only marginally, are they the consequences of certain electoral laws.

A discussion on the legislative party position 'then and now' is required simply because of the big reshuffle in the political scene at the national and state levels in 1969 and 1971. As for the party position in UP, the undivided Congress, which had 211 Assembly seats in the mid-term poll of 1969, found its strength after that year's split in the party distributed as follows: 112 legislators opting for Congress-R (Congress) and the rest for Congress(O). The strength of the Congress, increased to about 200, however, at the end of 1970, when a number of MLAs from other parties crossed over to it. The impressive performance of the Congress in the 1971 parliamentary elections

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TABLE 1: PARTY POSITION IN UP ASSEMBLY, 1969-1974.

Year	Congress	Congress(O)	Swatantra	JS	BKD	SSP	SP	CPI	CPM	Others	IND	Total
1969	211	—	5	49	98	33	3*	4	1	3	18	425
Before the poll	271	38	1	39	42	15	3	4	1	1	4	419**
1974	215	10	1	61	106	—	5	16	2	3	5	424†

Notes: *These are the seats held by PSP.
**Six seats were vacant.
†Nathupur constituency in Azamgarh district was countermanded, subsequently by-election was held on May 30, 1974. The seat has gone to the Congress.

triggered off another spate of defections to it from other parties. The position before the 1974 elections was that the Congress had 271 legislators in its fold. Of the rest, the BKD had 42, the Jan Sangh 39, the Congress(O) 38, the Samyukta Socialist Party (SSP) 15, the Socialist Party (SP) 3, and the Communist Party of India (CPI) and the independents 4 each (see Table 1). The remaining three seats were shared, one each, by the Swatantra, the Communist Party of India-Marxist (CPM) and the Muslim Majlis. The Congress(O) and the BKD were the main losers; the former's strength declined to 38, as against 100 just after the split in October, 1969. The same fate overtook the BKD, its 56 members defecting from the party. The Jan Sangh was no exception to this phenomenon; although only 10 of its members defected, the jolt was too much for the Jan Sangh. The party position prior to 1974 was thus a reflection of the 1971 election results, when the Congress bagged with its 48.6 per cent votes 85.9 per cent of the total seats from the state in the Lok Sabha.

The 1974 election results, viewed against the background, depict that except for the Congress and the Congress(O) all the other parties in the election fray scored increases in their strength in the house (see Table 1). Significantly, of all the parties, major gains were made by the CPI which broke its own record of poll performance in the state: it won 16 seats in this election, as against its record win of 14 in the third general election of 1962. The second party with major gains was the BKD-led triple alliance. This was followed by the Jan Sangh record. The Congress too has improved its legislative strength in 1974, compared to its tally in 1969. Although Congress gains were not as conspicuous as those of the CPI and the Jan Sangh, its resounding success was significant, for, its legislative minority was turned into an absolute majority.

Here it is important to note the role of defectors in influencing the fortunes of the various parties on whose symbols they had in fact fought the election. In the pre-1974 legislature, one out of every four legislators was a defector. The Congress party's tally of 271 before going to polls in 1974 included about 90 defectors from other parties. This does not include members who defected from the Congress(O). It is interesting, therefore, to see how many of them got the Congress party ticket for contesting the 1974 elections — and to what end. We shall, therefore, restrict our discussion to only those defectors who were elected as nominees of one party in 1969 and contested as those of another in 1974. This we do simply because it is rather difficult to keep track of floor-crossings between 1969 and 1974. In all, there were 83 defectors, chosen in the manner mentioned above, to contest this election (Table 2). Of them, as many as 52 contested on the Congress ticket. Surprisingly, as many as 32 of them were defeated. That is, only 38 per cent of the total defectors to the Congress won in 1974. Against this, more than 56 per cent of the 'new' and 53 per cent of the party's sitting members were elected. Further, all the 6 defectors from the Jan Sangh and 2 of the 3 from Swatantra got elected on the Congress ticket, while only 4 of the 9 defectors from the SSP were returned. Chances of defectors from the BKD getting elected were bleak : and only 5 out of 22 of them won on the Congress ticket (Table 2).

As for the defectors to the opposition parties, there were 31 in all to contest this election. Of them, as many as 18 sitting legislators from the various parties contested as independents; and, surprisingly, all of them were rejected by their own constituents who had returned them to the Assembly in 1969. At the same time, except for the BKD, fielding 4 defectors on its ticket and getting 2 of them elected, no other party succeeded in getting even a single defector to win this election (Table 2). There was no defector contesting on a Jan Sangh ticket. From this we may conclude that the voters tend to reject defectors, though defectors stand a chance if they happen to be nominees of a major party. Secondly, independents seem to have lost their appeal for voters, and perhaps have no future in the state's politics. The number of independents in the Assembly has consistently declined since 1967. It is now 5, as against 18 in 1969 and 37 in 1967 elections. The dismal performance of defectors and the declining popularity of independents may reflect voter maturity and electoral development in the state.

Now the second point — that is, the multiplicity in contest and its impact on the electoral outcomes. We shall first distinguish between 'multiple competition' and 'multiplicity of candidates'. The latter seems to determine the former. But, technically, this is not always true. A constituency having three candidates polling almost an equal proportion of votes represents a three-cornered contest. However, another constituency with 15 candidates can easily be called a direct, bi-polar contest if the first two of them poll 46 and 45 per cent of the votes respectively, the remaining 9 per cent being thinly distributed among the 13 other candidates. We may argue, therefore, that the presence of numerous candidates in a constituency is not the sole factor which decides the complexion of the contest. In almost all constituencies with a large number of contestants, we find only a few candidates who really matter and from the core of competition. The rest are, in fact, passive or 'filler' participants. The 1974 election provides a very good example: despite the candidates being much

TABLE 2 : PARTY SEATS BY TYPE* OF CANDIDATES (1974)

Type of Candidate	Congress		BKD		Jan Sangh		Congress (O)		Other Parties		Independents		Total	
	Cont	Elect	Cont	Elect	Cont	Elect	Cont	Elect	Cont	Elect	Cont	Elect	Cont	Elect
New Candidates	231	131	348	85	370	52	350	9	927	25	1492	5	3718	307
Own sitting members	120	64	45	19	31	9	33	1	5	2	4	—	238	95
Defectors														
From Congress	—	—	1	1	—	—	—	—	—	—	6	—	7	1
From BKD	22	5	—	—	—	—	4	—	1	—	8	—	35	5
From SSP	13	4	—	—	—	—	—	—	—	—	1	—	14	4
From PSP	2	—	—	—	—	—	—	—	—	—	1	—	3	—
From JS	6	6	—	—	—	—	—	—	1	—	—	—	7	6
From Swatantra	3	2	1	—	—	—	—	—	—	—	2	—	6	
From other parties	2	—	—	—	—	—	—	—	—	—	—	—	2	—
From Independent	4	3	2	1	—	—	3	—	—	—	—	—	9	4
Sub-total : defectors	52	20	4	2	—	—	7	—	2	—	18	—	83	22
Total	403	215	397	106	401	61	390	10	934	27	1514	5	4039	424

(*) All the candidates are divided into three major groups : (i) those who were not sitting members in the last assembly, i e, 1969; we call them 'new candidates'; (ii) those who were sitting members in the last assembly and were contesting again on the same party's ticket; and (iii) those who were sitting members but were contesting on the ticket of a party other than their party in 1969. While doing so we are not treating those who were elected on Congress tickets in 1969 but were contesting on Congress(O) or those SSP members who were contesting on BKD tickets as defectors. We also do not take into account defections during the period after the 1969 election and before the poll in 1974.

more numerous this time than in 1969, their respective shares of votes polled by the Congress, BKD, and Jan Sangh, remained more or less unaffected. That is, if we exclude these three parties, we find that 1,648 candidates together polled 27.1 per cent of the votes in 1969, whereas 2,838 candidates polled only 29.6 per cent of the votes in 1974. In other words, despite an increase of nearly 1,200 candidates in the recent contest over the earlier one the increase in the votes polled by these was negligible. For instance, in 1974, the candidates of other parties and the independents were 72.2 per cent more than in 1969, but the corresponding increase in their share of votes was a mere 2.5 per cent. This indicates that the electoral contests were confined, in a way, to three major parties, i e, the Congress, the BKD, and Jan Sangh.

Let us examine this formulation in some detail. To do so, we select the first three parties (Congress, BKD, Jan Sangh) with the largest share of seats in the state legislature and evaluate their performance at the constituency level. What do we mean by electoral performance? First, the number of seats won by them; and second, the number of constituencies in which they stood second in the contest (for relevant data see Table 3). Irrespective of increase or decrease in the number of contestants, it is clearly seen that the number of seats held by the three parties has consistently gone up in every successive election. That is to say, although their number of candidates was much less in 1969 than in 1967 and 1974, yet the pattern of performance of the three parties (the first, second and third parties) remained unchanged. In fact, the number of seats held by these parties, put together, aggregated 78.2 per cent of the total in 1962, 80.3 per cent in 1967, 84.2 per cent in 1969, and 90.1 per cent in 1974 elections (see sub-total, Table 3). Similarly, by the 'second-placed party' in the constituencies' criterion, we find that the improvement in the performance of these three parties was even more pronounced — particularly between the 1967 and 1969 elections. For instance, the increase in the second-place share was 8 per cent against 4 per cent improvement in the share of seats won by the three parties together. Thus, as we saw earlier, Table 3 also suggests that in most of the constituencies the contest was mainly limited as among the three major parties (Congress, BKD and Jan Sangh).

If we look at Table 3 a little closer, we will find that, although in 1962 the Jan Sangh and PSP occupied second and third positions, respectively, even their joint share of seats was lower than that of the other parties and independents. Furthermore, the gap between the Congress and these two parties (Jan Sangh and PSP) was very large. However, in 1967, when the Jan Sangh considerably increased its strength in the legislature, the SSP which ranked third gained a few more seats than its counterpart in 1962. The poor performance of the Congress also contributed to the beginning of the three-party system in the state. We may say then that end of the hegemony of one party, or the end of the 'one party dominance', began in 1967 — the emergence of BKD in 1969 and the weakening of Congress helped to bring about the three party system in the state. Although the Jan Sangh was unseated from the second rank in 1969, its share of seats was higher than those of the second rank parties of the 1962 and 1967 elections (see Table 3). Moreover, the strength of the other parties and the independents in the Assembly went down to 67 seats, as against 94 and 84 in 1962 and 1967, respectively. Interestingly, in the 1974 election, while the first three parties — i e, the Congress, the BKD and Jan Sangh — showed an improvement in their tally of seats, the number of seats held by the other parties and independents slumped to a mere 42. We can, therefore, safely assume that for all practical purposes there are only three parties that matter in the politics of the state, and that they will be more or less equally poised in future elections.

Let us now examine how the presence of a large number of candidates in this election influenced its outcome. It has been seen that there was some disenchantment among voters with the Congress party.[2] It was reflected in the electoral statistics as well. Only 32.19 per cent of the voters in 1974 showed their preference for the party as against its impressive popularity in the 1971 parliamentary poll when it had netted 48.56 per cent of the total votes. In other words, roughly 17 per cent of its 1971 voters disowned the Congress in this election. The Congress's majority in the present Assembly, notwithstanding such a cut in its popularity, may be attributed to two factors: (i) the large number of new entrants in the contest, who attracted a substantial proportion of the floating votes, resulting in no cumulation of the opposition vote, and, (ii) the emergence of BKD and Jan Sangh as potent rivals, who nevertheless divided among themselves the anti-Congress vote.

TABLE 3 : CANDIDATE'S PERFORMANCE BY PARTY (1962-1974)

Performance / Party	1962			1967			1969			1974		
	Cand Set up	Cand Elected	Cand Ran 2nd	Cand Set up	Cand Elected	Cand Ran 2nd	Cand Set up	Cand Elected	Cand Ran 2nd	Cand Set up	Cand Elected	Cand Ran 2nd
1st Party	429 (16.4)	249 (57.9)	142 (33.0)	425 (14.1)	199 (46.8)	165 (38.8)	424 (14.8)	211 (49.6)	168 (39 5)	403 (10 0)	215 (50 7)	158 (37.3)
2nd Party	377 (14 4)	49 (11.4)	84 (19.5)	401 (13.3)	98 (23.1)	110 (25.9)	402 (14.0)	98 (23.1)	76 (17.9)	397 (9.8)	106 (25.0)	92 (21.7)
3rd Party	288 (11.0)	38 (8.8)	63 (14.7)	254 (8.4)	44 (10 4)	39 (9.2)	397 (13.8)	49 (11.5)	107 (25.2)	401 (9.9)	61 (14.4)	101 (23.8)
Sub total	1094 (41.8)	336 (78.2)	289 (67.2)	1080 (35.8)	341 (80.3)	314 (73.9)	1223 (42.6)	358 (84.2)	351 (82.6)	1201 (29.7)	382 (90 1)	351 (82.8)
Others and Independents	1526 (58.2)	94 (21.9)	141 (32.8)	1934 (64.2)	84 (19.8)	111 (26.1)	1648 (57.4)	67 (15.8)	74 (17.4)	2838 (70.3)	42 (9.9)	73 (17.2)
Total	2620 (100.0)	430 (100.0)	430 (100.0)	3014 (100.0)	425 (100.0)	425 (100.0)	2871 (100.0)	425 (100.0)	425 (100.0)	4039 (100.0)	424 (100.0)	424 (100.0)

Notes : 1st Party—Congress is the first party in all the elections.
2nd Party—Jan Sangh enjoys the status of 2nd party in the state in 1962 and 1967 elections whereas it was replaced by the BKD in 1969 and 1974.
3rd Party—In the 1962 election the PSP is the 3rd party and in 1967 the SSP, but in 1969 and 1974 the Jan Sangh stood 3rd. Figures in brackets are percentages.

The first factor contributed to the Congress victory in two ways: (a) the peripheral voters, in being inclined to vote against the Congress, became victims of parochial interests and personal loyalties and opted for non-consequential candidates of the opposition, and (b) the politically actuated non-Congress votes were divided between the two major opposition parties (the BKD and Jan Sangh). Added to this was the loyalty of a small core of Congress supporters — especially from among the Harijans — and a substantial number of Brahmins as well as Muslims who sided with the party. This gave the Congress an edge over its rivals — the BKD and the Jan Sangh.[3] In a situation where a large number of candidates are in the field, even if the serious contest pivots around only three contenders, the party which stands one notch above the others in terms of committed and loyal supporters is quite certainly advantageously placed. The Congress having ensured the support of the Harijans did substantially benefit by it.

With regard to the second factor, we notice that despite solid support for the Congress from some social groups, the proportion of anti-Congress voters was very large. It was this block of disenchanted voters that the opposition could have meaningfully mobilised. But the opportunity was squandered, the BKD and the Jan Sangh being remiss in a major way. Where an understanding between the two could have blocked a Congress majority in the house the lack of it actually helped the Congress to gain a majority there on a minority vote. A study of the constituency-wise results in fact relates the Congress success to the electoral fight between the BKD and Jan Sangh. Let us select the constituencies in which the Congress won and add up the votes of the other two major parties to see in how many of them their votes outnumbered those of the Congress — and to what extent. For this purpose, we have evolved three combinations: the BKD and Jan Sangh, the BKD and Congress(O), and the Jan Sangh and Congress(O) (for the relevant data see Table 4). A glance at the Table will show that, *vis-a-vis* the three combinations, the Congress party had less votes in 88, 47, and 32 constituencies, respectively. As to the extent of the gap in votes, in the first combination (i e, the BKD and the Jan Sangh) the majority of constituencies show a difference of 5 per cent or more; in the latter two, it is less (see Table 4). This warrants the speculation that, had there been some understanding between any two of these three parties, it could easily have hamstrung the Congress in gaining an absolute majority in the Assembly.

One should, however, concede that the electoral understanding between parties is not always observed at the voter level. But even granting this, we could assume that a few seats at least could have been cornered by any of these three alliances. The chances for the success of such alliances are higher in the constituencies where the margin is wide enough. In view of this, if we concede success of 25 per cent, 50 per cent, 75 per cent, and 100 per cent, from the four categories, respectively (i e, less than 5 per cent, 5 to 10 per cent, 10 to 15 per cent and 15 per cent and above), the Congress would have lost nearly 48 seats in the event of Jan Sangh joining the BKD alliance. But would that have been feasible? While the BKD's aim was to bag the disgruntled Muslim support, by entering into an electoral adjustment with the Muslim Majlis, the Jan Sangh, allegedly anti-Muslim as a result of its RSS base, sought to exploit the sympathies of the traditional Hindus. Moreover, both represent diverse interest groups too. Keeping these diversities in mind one could rule out such an alignment between the BKD and the Jan Sangh which might have seriously attenuated the respective ranks of their supporters in the election. We are, therefore, left with the other two possibilities, *viz*, an alliance between the BKD and the Congress(O), or one between the Jangh and the Congress(O). The latter alliance having been put to trial in the 1971 parliamentary poll, of which the results were not very encouraging, the former combination might have been far more effective and plausible. It is not that they could snatch 21 seats (as shown in Table 4) from the Congress, but that the company of the Congress(O) could still enhance their image and raise the level of the contest. Without causing any serious repercussion among BKD

TABLE 4: DISTRIBUTION OF CONGRESS WON CONSTITUENCIES WHERE THE SHARE OF THE MAJOR OPPOSITION PARTIES IS GREATER THAN THE CONGRESS SHARE (1974)

Congress Share of Votes Is Less By	Probable Alliance		
	BKD and Jan Sangh	BKD and Congress(O)	Jan Sangh and Congress(O)
Less than 5 per cent	28	26	17
5 to 10 per cent	28	7	7
10 to 15 per cent	21	8	4
More than 15 per cent	11	6	4
Total	88	47	32

supporters, Congress(O) could claim a share of the supporters who formed the back-bone of the undivided Congress party. The voters who found Congress(O) comparatively the weaker party and hence stayed back with the Congress, could have been attracted easily by such an alliance. This would have been a serious challenge to the ruling party. But the leaders — C B Gupta and Charan Singh — failed to resolve their personal rivalries. Egotism and their personalised styles of politics prevented the alternative. In brief, in view of the razor-thin majority of the Congress party in the Assembly, any adjustment between the two major opposition parties might have dislodged it from power in UP (see Table 4).

This is an overall view of party configuration and competitiveness in the state's politics. But a region-wise analysis of their losses and gains would be still more instructive. For the purposes of this exercise, we may conveniently divide the whole state into four distinct zones — the northern zone comprising 8 districts of the hill areas; the western zone consisting of 18 districts converging on Delhi, Punjab and Haryana; the central zone which includes 9 districts adjacent to the state capital Lucknow and 4 districts of Bundelkhand division; and finally, the eastern zone consisting of 15 districts including the three Hindu religious centres of Kashi, Prayag and Ayodhya and the Tarai districts of Gorakhpur division.

These distinct regions, represent diverse political preferences at the elections as well; particularly so since 1962, when the opposition really emerged as a force in the state's politics. In this paper, however, we are concerned with the change in the regional support structure of the parties, between the 1969 and 1974 elections. Table 5 shows the region-wise performance of the major political parties — i e, the Congress, the BKD, the Jan Sangh — and the rest including the independents. A cursory glance shows that, of all the zones, the northern though the smallest, played a vital role in returning the ruling party to power. The second zone to contribute to the Congress majority in the state is the central zone. In fact, the Congress won 89.5 and 58.3 per cent of the total seats from the northern and central zones, respectively, as against 49.1 per cent from the eastern zone and 42.4 per cent from the western zone. Thus, even after failing to secure a majority from the two big zones (*viz*, the eastern and western zones), the Congress party's absolute majority in the Assembly was assured by the solid support it received from the northern and the central zones.

The northern zone, which has yielded two Chief Ministers (the first one and the present one) has all along been with the Congress party, but its contribution to the success of the Congress party was the greatest at this election. This, at a time when the party's overall image had suffered serious erosion. Such massive support may be attributed to two factors: First, Bahuguna's debut as Chief Minister was welcomed by the people of the hill districts who could, by and large, perceive him as one of them. This certainly turned out to be a plus factor for the party which was often blamed for its 'step-motherly' attitude towards the region. Second, the Bahuguna ministry, which was well aware of the conditions in the region, took no time to assure a regular supply of essential commodities to the region. This, together with the laying of foundation stones by the Prime Minister, gave people a ray of hope of improving their lot.[4] These factors, manipulated meaningfully, attracted the ordinary voter who, in turn, ensured the victory of the party. A review of earlier election results shows that the Congress has had complete supremacy in the region except in 1967 when it won only 12 seats (though it still maintained its majority in the region). In any case, the Congress enjoys predominance in the area.

In the western zone, notwithstanding that it has been a fortress of Chaudhury Charan Singh, the Congress may be said to have made a significant dent this time — gaining as many as 11 seats from the opposition, particularly from the BKD (see Table 5). Although, the party could not succeed in mustering a majority from this region, it still substantially increased its strength, from 53 seats in 1969 to 64 seats in 1974. A notable gain was made in Muzaffarnagar and Meerut districts, which were the strongholds of the BKD in 1969. As for the other districts, Congress gained remarkably in Bijnore, Moradabad, Etah, Agra, Aligarh, Saharanpur, Bulandshahr and Rampur. However, it lost in Mathura, Farrukhabad, Shahjahanpur, Bareilly, Etawah and Mainpuri. But the losses were marginal compared to its gains in the region. As against its loss of only 19 seats, the party gained 30 seats from others.

The other beneficiary in the region was the Jan Sangh. Its major gains came from Farrukhabad and Bareilly districts, where both the Congress and the BKD suffered a decline. This brings out another interesting point which explains the support-structure of the Jan Sangh. In constituencies where Muslims form a sizeable proportion of the population, voting on communal lines is fairly common.[5] In such a situation, the caste Hindus feel threatened and tend to band together to thwart the minority's assertion. In these circumstances, the presence of Jan Sangh was incentive enough for the Hindu supporters of BKD and Congress to vote for it. An excellent example is the result in the Moradabad constituency where Muslims form the majority.

The BKD, too, registered gains in some districts of this region. While it lost in most districts, its gains were remarkable in Mathura, a traditional stronghold of the Congress party.[6] This bespeaks the personalised style of rigorous campaigning undertaken by Gayatri Devi — wife of the BKD chairman — who took it up as a challenge. Her past record as social worker and her energetic canvassing in the district paid rich divdends to the party. In fact, its strength went up to 5 as against only 1 in 1969. Besides, it gained 2 seats in Badaun, and 1 each in Shahjahanpur and Mainpuri. The share of seats of other parties and independents has also gone down to 10.6 per cent in 1974, compared to 11 per cent in 1969.

These vicissitudes pose a few questions. Why could not the BKD retain its 1969 support? Perhaps for four reasons. First, the oppressed sections of

TABLE 5: PARTY POSITION IN UP ASSEMBLY BY REGION (1969-74)

Region	INC		BKD		BJS		Others		Total	
	1969	1974	1969	1974	1969	1974	1969	1974	1969	1974
Northern Zone	14 (70.0)	17 (89.5)	—	—	2 (10.0)	—	4 (20.0)	2 (10.5)	20 (100.0)	19 (100.0)
Western Zone	53 (36.3)	64 (42.4)	63 (43.2)	50 (33.1)	14 (9.6)	21 (13.9)	16 (11.0)	16 (10.6)	146 (100.0)	151 (100.0)
Central Zone	65 (67.7)	56 (58.3)	13 (13.5)	13 (13.5)	5 (5.2)	15 (15.6)	13 (13.5)	12 (12.5)	96 (100.0)	96 (100.0)
Eastern Zone	79 (48.5)	78 (49.4)	22 (13.5)	43 (27.2)	28 (17.2)	25 (15.8)	34 (20.9)	12 (7.6)	163 (100.0)	158 (100.0)
Total	211 (49.6)	215 (50.7)	98 (23.1)	106 (25.0)	49 (11.5)	61 (14.4)	67 (15.8)	42 (9.9)	425 (100.0)	424 (100.0)

society, particularly the scheduled castes (the core of Congress strength) who were intimidated by strong-arm methods in the previous Assembly elections felt freer to exercise their franchise in the 1974 elections. Secondly, the voters in this region who are fairly politicised, apprehended the consequences in case Congress was not returned to power and decided to vote for it. Thirdly, the presence of the two Muslim parties — the Muslim Majlis and the Muslim League — and their bid to undermine each other disillusioned, and positively divided, the Muslim voters. The BKD could have attracted some of the Muslims, but its alliance with the Majlis perhaps left the Muslims with no alternative except to vote for the Congress. Fourthly, the Jat supporters, who were none too happy with their party's (BKD's) alliance with the Majlis, did not support it solidly. Thus, these being the probable motivations on the part of electors, the Congress staged quite understandably a notable recovery in this region.

Turning to the central zone, one would observe that except for the Jan Sangh no other party registered any gain at least at the zonal level. The loser, of course, is the Congress party, followed by other parties and independents. The BKD's position remained unaffected (see Table 5). The Congress maintained its position in 5 of the 13 districts of the region and lost heavily in Kheri, Banda, and Hardoi, but gained considerably in Lucknow and Fatehpur. More interestingly, a district-wise analysis indicates that the losses suffered by the Congress helped the Jan Sangh, whereas the Congress gained in Lucknow and Fatehpur exclusively at the cost of the BKD and its ally, the SSP.

Even though the Jan Sangh emerged as the potential winner from the region in this election, its strength is far below that in 1967. In fact, it won only 15 seats in this election against its 29 seats in 1967. Nevertheless, it was a major recovery for the party in the region.

The BKD's strength, though on the face of it the same in both elections, is rather deceptive — especially if we include the 6 seats won by its alliance-partner, the SSP, and the number it held in 1969 as well. The performance of the BKD-triple alliance, therefore, would seem to be poorer in the 1974 election. As for its losses and gains at the district levels, the BKD lost all the seats it held in Lucknow and Fatehpur in 1969. However, it was somewhat compensated for its losses by the gains it achieved in Barabanki. While tracing the reasons for its debacle in Lucknow, we should take note of the government employees' reaction to Charan Singh's hostile posture against them and the withdrawal of Muslim support for the reasons outlined above.[7] All this went in favour of the Congress party. As for the BKD's success in Barabanki, it has been benefited mainly by its alliance with the SSP.

Finally, the eastern zone. One can well see that the BKD's eminence in the state is due only to this region. But considering its alliance with the SSP, which held 23 seats in 1969, the BKD's score would not appear so impressive. It is, in fact, two seats short of the two parties' combined strength of 45 (22 of BKD and 23 of SSP) in 1969. But most of the SSP legislators of 1969 defected to the Congress and contested the 1974 election on its ticket. Therefore, however small the surplus of seats, it is no less significant as a gain. Its gains in Azamgarh, Varanasi, Ghazipur and Allahabad were remarkable. While its successes in Azamgarh and Varanasi were mainly due to the internal dissensions in the Congress, the case of Allahabad was different, in that, as a stronghold of the SSP it raised the party's stock.[8] Its success in Ghazipur, however, may be attributed to a dominant faction of the CPI which supported the BKD.

Moreover, the BKD-triple alliance's victory in this region may also be credited to the emergence of the middle caste groups who asserted their potential in the state's politics. The middle caste people, who had not occupied a prominent position during the nationalist movement, nor after the Congress was transformed from a platform to a party, were keen to make a bid for political power — particularly after Independence. It was only recently that they began to assert their potential importance in the state's politics.[9] The emergence of BKD in 1969 provided them with a platform. The Ahirs and Kurmis, the peasant proprietary castes in eastern UP, mostly sided with the BKD which, in their eyes, was the protector of their interests. This trend gave a shot in the arm of the alliance in 1974, when the SSP with its strong base among the poor peasantry joined the BKD alliance. Thus, a solid support from some middle castes on the one hand, and a widespread disenchantment with the Congress on the other, redounded to the benefit of the BKD-triple alliance in this region.

As far as the fortunes of the Congress and the Jan Sangh are concerned, this region does not reflect much change — except the losses of the Congress in some districts mentioned above. But its losses were more than neutralised by its gains in Pratapgarh, Sultanpur, Ballia and Jaunpur districts. Interestingly, the Rajputs — one of the 'elite' castes in UP — still hold prominent positions in the party organisation.[10] The Jan Sangh, which lost substantially in Jaunpur and Sultanpur, enabled the party to avoid a major loss by dint of Madhava Prasad Tripathi's influence in the Tarai districts of the region.

In conclusion, let us mark the salient points. First, although the Congress majority in the legislature came as a surprise to political academics and activists, its strength slid to less than that in the outgoing Assembly, and its performance was poor in view of its

grand victory in the 1971 Lok Sabha election. The slender majority of the Congress, examined closely, would seem to be nothing to rejoice about. Second, the electoral statistics suggest that the defectors are looked down upon by the voters. The Congress, with a large number of defectors in this election, paid a heavy price for it. The fate of independents is even worse. Third, the 1974 election was to-date the most competitive election ever fought in the state. It witnessed the emergence of two large opposition parties. And it was their internecine fight that helped the ruling party considerably. Moreover, the emergence of the BKD and Jan Sangh leads the state towards the three party system. Fourth, the use of caste — a familiar feature of Indian politics exploited by almost all the political parties in selecting a candidate from the numerically dominant caste in the constituency — surfaced in a little different manner in this election.[11] That is, the BKD surged forward as a political group to safeguard the interests of the upwardly mobile class of peasant proprietary in the state.[12] And finally, while the Jan Sangh made a recovery in its stronghold, the central zone, the BKD's debacle in the western zone may be traced to its alliance with a communal party — the Muslim Majlis. It owed its success in the eastern zone to its camaraderie with the SSP, which was further enhanced by the substantial support to it from the middle castes.

This outline of the inter-party competition based on electoral statistics perhaps ignores some qualitative changes influencing the growth of the party system in the state. This limitation of electoral statistics needs to be recognised before any generalisation is made about the nature of the political changes in the state. In the first place, the statistics side-step the dynamics of decision-making involved in the voters' preference among parties. This raises a question, as to how justified are we in aggregating the votes of the two opposition parties to match the Congress votes. This looks all the more problematic in a situation where the two opposition parties are more opposed to each other than to the Congress. A voter, for example, may decide to vote for the Jan Sangh because he does not like the Congress, but he may be equally opposed to the BKD.

Any proposition concerning an alliance between the parties, therefore, can be entertained only after examining their social bases and their images in the popular mind. Viewed thus, no party in India, except the Congress, would appear to be so broad-based — representing a vast heterogeneity of different social groups and unopposed to any major interest group in the society. In UP, the Congress would seem to have still retained this character. Of the other two major parties, the Jan Sangh is popularly known for its anti-Muslim pro-high-caste posture and an inclination towards the Right. The BKD is yet to acquire a clear ideological identity. However, it has acquired a reputation for being Kulak-oriented and Rightist. While the BKD could bank upon the solid support from the peasant proprietary castes, not especially opposed to any particular section of the society, the Jan Sangh has to depend for support on just the higher-caste Hindus. Moreover, its image among the depressed castes is not very favourable.[13] Given these socio-economic cleavages in the society, no understanding between the two — the BKD and the Jan Sangh — could be arrived at even to dislodge the Congress from power. For, an alliance at the organisational level, moreover, may not be endorsed at the voters' level. The parties representing diverse interest groups would fail to pull these groups together, just by rigging up an unnatural alliance. If an alliance is forged in disregard of such considerations, it might boomerang at the poll — as it did in the case of the BKD and Muslim Majlis this time, and in the case of the so-called 'grand alliance' in 1971.

Thus, until there is an opposition party or an alliance than can cumulatively attract voters from various sections of society, the Congress will go on enjoying the status of the largest party in the state. But will the opposition rise above sectarian interests? Or will it be able to do away with its personalised politics in the interest of a viable alliance? These are some important questions deserving better attention of the leaders of the opposition parties. If they continue to stall the forging of a broad-based, 'natural' alliance, the Congress, with its reduced share of votes, will continue to be the ruling party — as evidenced by the 1974 election. Or, it will give rise in the future to a fragmented multi-party situation, plunging UP politics into the dark unknown of political instability and worse.

Our analysis suggests that the outcome of this election was a function more of the nature of the competition among the political parties and their support structures rather than of the electoral laws. The gap between the electoral wishes and the electoral outcome, therefore, may be attributed mainly to the failure of the opposition parties to transcend their sectarian and personalised politics to create a broad-based support structure. This, they could do, by converting their present support, based on socio-economic cleavage, into a political support for them or for their alliance.

Notes

1 This analysis is based on the data compiled at the Data Unit, Centre for the Study of Developing Societies, Delhi.

2 See author's article, 'Party Fortunes in UP Elections, The Case of Azamgarh', *Economic and Political Weekly*, Volume IX, Numbers 6, 7 and 8, Annual Number, February 1974.

3 *Ibid.*

4 See "Foundation of Electoral Success", *Hindustan Times*, February 6 and 7, 1974.

5 For further details, see Gajanand Pandey, 'Minority and Electoral politics in the past, see H R Chamunity in Meerut City', in R Roy, "Studies in Electoral Politics", forthcoming.

6 For a detailed analysis of Mathura politics in the past, see H R Chaturvedi and Ghanshyam Shah, 'Fusion and Fission of Castes in Elections; A Case Study in Chhata, UP', *Economic and Political Weekly*, Volume V, No 40, 1970.

7 Chaudhury Charan Singh's repeated announcement in public meetings that he would deal firmly with the government employees, has sufficiently annoyed the employees on the one hand and Shia-Sunni conflict in Muslims on the other resulted in a substantial withdrawal of support from the BKD-triple alliance.

8 See author, *op cit.*

9 Paul R Brass, 'Uttar Pradesh', in Myron Weiner (editor) "State Politics in India", Princeton University Press, Princeton, New Jersey, 1968, p 69.

10 Of the four districts, Dinesh Singh — Foreign Minister — in Pratapgarh, Chandra Shekar — the Young Turk leader — in Ballia, and K N Singh — a Union Deputy Minister — in Sultanpur, have a good hold in the party organisation. Though the Jaunpur party organisation is dominated by Rajputs at the district level, L S Yadava — a Cabinet Minister in the state government — has good following among the middle caste people in the district.

11 See Ramashray Roy, 'Selection of Congress Candidates', *Economic and Political Weekly*, Volume II, Number 2, January 14, 1967.

12 The Study Group, commissioned by the Jan Sangh to scrutinise the lapses of the party in Uttar Pradesh at the 1974 election observes: "the strong caste loyalties commanded by the Bharatiya Kranti Dal in this election". See *Hindustan Times*, June 12, 1974.

13 The group has also observed that the party's image in the eyes of the poorer section of the society was not favourable. *Ibid.*

The Upsurge in Gujarat

Ghanshyam Shah

The political upheaval which shook Gujarat for full two months early this year was unprecedented in the history of post-Independence India. No town remained untouched by the upsurge. Tensions also prevailed in some parts of the countryside. The agitation, spearheaded by the student community, took various forms. During the agitation about one hundred persons died and a large number were injured in police firings at different places.

The Chief Minister, Chimanbhai Patel, despite his claim of having a majority in the state Assembly, resigned on February 9, 1974. The Assembly was suspended and President's rule was imposed in the state. Later, 95 of the 168 MLAs resigned from the house. Consequently, the Central government was compelled to dissolve the Assembly on March 15, 1974. Corporators of Ahmedabad, Baroda and Surat resigned en bloc and the municipal corporations were superseded. Several Congressmen resigned from the party.

Different socio-economic and political groups participated in the agitation for different purposes, raising such diverse issues as corruption, blackmarketing, price rise, denationalisation, rationing, civil liberties, injustice to Gujaratis and Gujarat, etc. But finally all the issues converged on two common demands, resignation of the Chief Minister and later dissolution of the state Assembly.

The reasons for making these demands differed from group to group. To the majority of the agitators, it was a demand to overthrow 'corrupt' politicians. The opposition political parties were interested in dethroning the Congress party in the state. Some were interested in discrediting the 'progressive measures' of the ruling party, such as the wheat trade take-over, land legislation, etc. There was thus neither unity nor clarity regarding the steps to follow after the dissolution of the Assembly.

This paper is an attempt to observe the major events in the course of the agitation with a view to understanding the agitation as a social phenomenon. The paper seeks to examine the following questions: What role did the different groups play in smothering or accelerating the agitation? How and why did the agitation take different shapes at different stages? Which issues were highlighted by which groups and why?

This is an explanatory study based on interviews with those who participated in the agitation, survey data, newspaper reports as well as the writer's own observations. The paper is divided into two parts. The first part deals in detail with the prevailing tensions in Gujarat state. The nature of the agitation and the character of the participants are discussed in the second part.

THE political upheaval which shook Gujarat for full two months was unprecedented in the history of post-Independence India. No town had remained untouched by the upsurge. Tensions also prevailed in some parts of the countryside. The agitation was spearheaded by the student community.

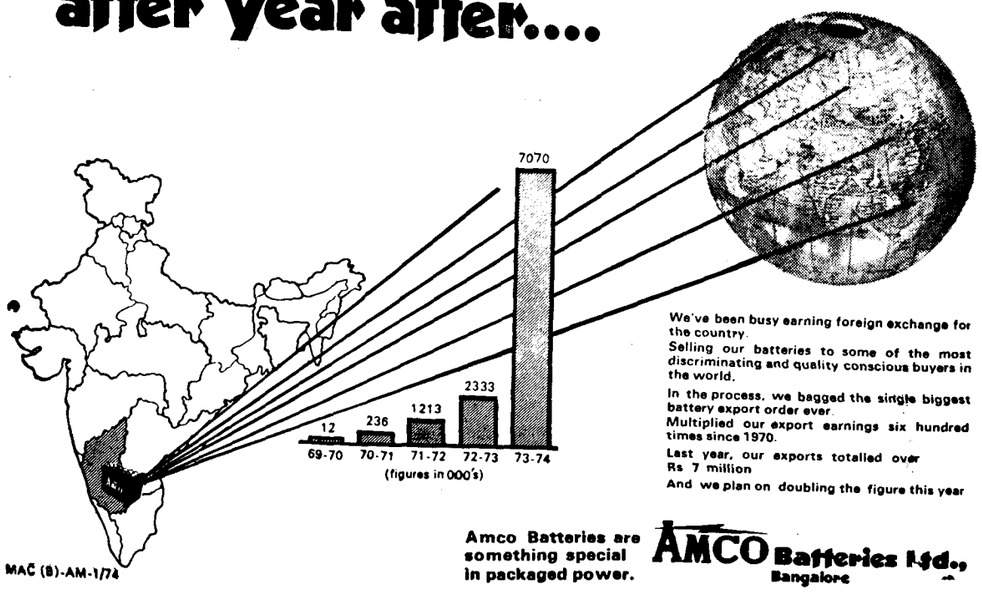
The agitation took various forms such as processions, demonstrations, fasts, gheraoes, bandhs, stone-throwing, hijacking of buses and looting and arson of private and public property — including college and court buildings, municipal buildings, milk booths, provision shops, grain godowns, cloth shops, tea stalls and pan shops. Prohibitory orders, arrests, tear-gashing, lathi charges and even firings could not stem the tide of the people's wrath against the government. During the agitation about one hundred persons died and a large number were injured in police firings at different places. Some policemen and officers were also wounded in stone-throwing. Stray attempts were made to snatch away rifles from police personnel.

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Different socio-economic and political groups participated in the agitation for different purposes, raising issues like corruption, blackmarketing, price rise, denationalisation, rationing, civil liberties, injustice to Gujaratis and Gujarat, etc. But finally all the purposes converged on two common demands, resignation of the Chief Minister and later dissolution of the state Assembly. The reasons for making these demands differed from group to group. To the majority of the agitators, it was a demand to overthrow 'corrupt' politicians. The opposition political parties were interested in dethroning the Congress party in the state which they could not do by constitutional means. Some were interested in discrediting 'progressive measures', such as the wheat trade take-over, land legislations, etc, of the ruling party. Some groups considered the demands as marking the transition to socio-economic change. Some wanted to establish partyless democracy. While some others wanted to instil confidence in the public mind for future struggles against the state. Thus there was neither unity nor clarity regarding the steps to follow after the dissolution of the Assembly.

The upsurge has been viewed differently by different persons and groups. To some, it was a 'fascist' movement or a 'counter-revolution'. To others, it was a revolution or at least marked the pre-revolutionary stage. Some branded it as a 'Naxalite' movement. Some saw in the agitation the shape of things to come — chaos and turmoil in the country as a whole. It is not

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our intention to examine these views and the theories or lack of them behind these views. The present paper is an attempt to observe the major events or incidents with a view to understanding the agitation as a social phenomenon. The paper seeks to examine the following questions: What role did the different groups play in softening or accelerating the agitation? How and why did the agitation take different shapes at different stages? Which issues were highlighted by which groups and why?

The paper is an exploratory study based on interviews with those who participated in the agitation, survey data, newspaper reports as well as the writer's own observations. The paper is divided into two parts: In the first part, I have dealt in detail with the prevailing tensions in Gujarat state. In the second part, the nature of the agitation and the character of the participants have been described.

I

Discontent and Tensions

In order to understand the agitation, one needs to examine the socio-economic and political under-currents in the state. What follows is a broad outline of the prevailing tensions in general and those in urban areas in particular. We shall then proceed to examine the nature of the different sections of society and the political environment in the state.

According to the 1971 Census, 28 per cent of the population of Gujarat, as against 20 per cent of the all-India population, live in urban areas. In Gujarat the concentration of urban population is in the larger-sized towns. According to the 1961 census 52.97 per cent of the urban population lived in Class I (100,000 and over population) and Class II (50,000 to 99,999 population) towns. These were in all 7 and 18 such towns, respectively. This proportion had gone up to 60.76 per cent according to the 1971 Census. In the Class I and II towns the density of population is 8,216.20 and 4,402.24 per sq km respectively. The overcrowded towns do not have adequate primary amenities like water, drainage, health services, transport, etc.[1]

The Centre for Regional Development Studies, Surat, conducted a survey just before the agitation, between December 25, 1973 and January 10, 1974 in Surat to get an idea of prevailing tensions in urban areas. Surat is the second largest city in Gujarat. In this section, we shall make use of the data of the Surat survey to explain the prevailing tensions.[2]

In order to understand the problems of the city and the people's cognition of the civic problems, a question was asked "According to you, what are the major problems of the city?". Leaving out the one out of four persons who could not think of a problem either because he was too comfortable or because he lacked the cognitive capacity to articulate the problems of the city, a large number of persons (more than 50 per cent) interviewed indicated price rise and scarcity as the major problems of the city. This highlights the economic hardships of the people.

Next to price rise, people considered transport to be a major problem of the city. Besides irregular and overcrowded buses, people often had to wait for more than an hour to catch a bus. Consequently, frequent confrontations between members of the middle-class (particularly students and youth) and bus conductors took place during the last two years in several cities of Gujarat. It may be noted that only 48 per cent of the total transport buses of Ahmedabad run regularly on roads.[3]

The prices of essential commodities had sharply increased during 1973. Though the prices came down slightly after the July riots in Ahmedabad, they shot up again after August 1973, despite a bumper crop. The prices of foodgrains, edible oil, ghee, vegetables and meat rose from 30 to more than 100 per cent during the last one year.

Besides, milk cost Rs 2 per litre. A cup of tea in hotels cost 35 to 40 paise. A loaf of bread weighing 450 grams cost one rupee. Charges for a limited "thali" for lunch were Rs 2. One had to pay not less than Rs 110 per month for two meals a day. Ordinary snacks even in cheap eating places cost at least one rupee. One could not afford to eat even *chana* (gram) and *sing* (groundnut) which cost 80 paise for a hundred grammes.

Certain commodities did not only become costly but also disappeared from the market. For instance, oil, ghee, butter, baby-food, kerosene, etc, were not to be found in the open market. Foodgrains like wheat and rice were also scarce.

Gujarat is a deficit state in foodgrains. It depends on the Centre for feeding the people. The state faced a precarious food situation following a drastic cut in the supply of foodgrains by the Centre after June 1973. As against its monthly requirement of 1,00,000 tonnes of wheat, the state got only 15,000 tonnes a month in November and December. When we break down these figures at district level the gravity of the food situation becomes clearer. Take, for example, Surat city and district. There were 16,29,000 and 4,43,000 card-holders in the district and city, respectively. The total supply of foodgrains including wheat, jowar, milo and rice was of 10,000 tonnes in May. As months passed, the quota was reduced drastically, reaching 2,770 tonnes in the month of December (Table 1). Similarly, in the case of wheat it was 6,900 tonnes in May, in August it was reduced to 1,800 tonnes and in November it was reduced to 1,200 to 1,100 tonnes. The same was the position as regards jowar. In the case of rice it was even worse. In May the supply was 1,000 tonnes which declined to only 70 tonnes in December.

Consequently, a card-holder got only one kilogram of wheat per month per head in November and December from the ration shops. Rice was not distributed at all. A card-holder got two kilograms of jowar. The quality of foodgrains in the ration shop was also bad. The grains were full of dust and stones and one had to spend at least two to three hours to clean the grain. The poor quality and the meagre quantity of foodgrains forced poor persons to buy from the open market where prices of the commodities were twice as high.

The steep price rise and scarcity of essential commodities had, thus, broken the common man's back. In Surat, for instance, about 66 per cent of the families received less than Rs 300 per month. On a fairly conservative reckoning, the expenses of a family of four persons come to Rs 150 for foodgrains and other household items like soap, edible oil, sugar, etc, Rs 30 for milk (half a litre per day), Rs 10 for transport, Rs 30 for vegetables, Rs 30 for rent including electricity and water, and the remaining Rs 50 for tea and canteen, clothes, medicine, observing

TABLE 1: FOOD SUPPLY IN SURAT DISTICT 1973

(in tonnes)

Foodgrains.	May	June	July	August	Sept	Oct	Nov	Dec
Wheat	6900	6600	4500	1800	1500	2000	1200	1100
Jowar	100	—	—	—	1500	—	—	—
Milo	1500	700	2500	1200	—	3000	1800	1600
Rice	1000	894	450	—	—	100	155	70
Total	10000	8194	7450	3000	3000	5100	3155	2770

Source: *Gujarat Mitra*, December 30, 1973

social customs, and a minimum of entertainment like a visit to a cinema. One can imagine the strain on such families. And these are in fact the relatively better off families. The condition of persons like clerks, typists, Class IV employees, accountants and salesmen in private firms and shops and casual labourers earning Rs 200 or less per month is miserable. Their condition is more pathetic when they live alone in the cities, without their families (as about 10 per cent of the working population in the cities do). Because of the steep rise in the prices of all commodities, they cannot save anything and so cannot send anything to their dependants back home. Without family bonds and discipline on the one hand and faced with economic privations on the other, such people are susceptible to being drawn into any mob action.

There is a continuous conflict between consumers and traders in the urban areas, with the former becoming more vocal and conscious of their rights. The conflict has become sharper recently as a result of rising prices and scarcity of commodities, on the one hand, and incipient consumer movements on the other. There was a general impression among the people that shopkeepers were blackmarketeers and profiteers. Take the example of Surat city. It was found in our survey that every third person had a feeling that he was continuously being cheated by shopkeepers; another 40 per cent felt that they were being cheated sometimes. Thus three-fourths of the population did not trust traders. Further, 76 per cent of the respondents reported that they constantly felt that they got adulterated material from the market. They alleged that in order to make more profit the shopkeepers mixed all sorts of adulterants with commodities and thus played with the lives of the people.

The profiteering attitude and arrogance of the shopekeepers was obvious during the riots, too. In between the two curfew periods people rushed to do their shopping. Shopkeepers took advantage of this situation and charged higher prices. Sometimes this brought the conflict between the customers and the shopkeepers into the open and some customers looted some shops in sheer retaliation.

"The economic situation is worsening and we do not know what will happen tomorrow...We voted for Indira Gandhi in the hope that she would do something for the common man, but she has not done anything. Prices are rising everyday and it is difficult to live on our meagre means." This is what a white-collar worker, earning Rs 250 per month, had to say. His feelings were widely shared. An overwhelming number of persons (91 per cent) felt that the condition of the common man had not improved in the last two decades. On the contrary, many of them (70 per cent) felt that it had actually deteriorated. The picture of the future presented by these respondents was also very gloomy. As many as 84 per cent of the urban dwellers felt that their children would have to face greater hardships than they.

TABLE 2: ALIENATION AND POWERLESSNESS

	Items	Percentages
1	Cannot meet officials directly	74
2	Cannot do anything to make the city better	65
3	Find government and politics so complex that one cannot understand what is going on	88
4	Representatives do not pay attention to the problems of the people	88
5	Officials do not pay attention to what persons like me say	91

In addition to economic strains and frustration, a large number of people find themselves powerless in their relationship with the political system. This is evident from Table 2. Seven out of ten persons expressed their inability to meet officials directly. They also felt that they could not do anything in the development of the city. The number of persons feeling helpless increases when asked about their effectiveness with government officials and elected representatives. Nine out of ten persons felt that neither elected representatives nor officials paid attention to the problems of the common man. He was not being listened to by the government officials or politicians. He found himself powerless in his personal life as well as in the socio-political system.

People's frustration and helplessness need to be examined in the context of the present political system. This needs a separate and more elaborate study than is possible in the present inquiry. However, from our data we are able to present a few aspects which may indicate the trend. It is found that 40 per cent of our urban respondents, by no means an insignificant number, had lost faith in the elections. They felt that elections were deceptive. Only men of influence and money could fight the elections. After the elections, according to them, the leaders did not care for the electorate. Politicians only looked after their own interests and the interests of their groups.

Faith in the electoral system has been shaken and many persons pleaded the needs for direct action. Of the respondents of Surat, 67 per cent considered that strikes, gheraoes, dharnas, etc, were legitimate and necessary to secure their demands. And 22 per cent of the respondents accepted violence as either inevitable or as a last resort method to solve problems. This is not an insignificant number. After all, only few persons actually participate in violent activities (as seen in the recent riots).

The above evidence suggests that an overwhelming proportion of the people were frustrated, found themselves helpless and were loosing faith in the present political system. They opted for direct action to solve their problems. All this is relevant for understanding the widespread agitation that took place in Gujarat.

DIFFERENT SOCIAL GROUPS AND THEIR PROBLEMS

Though there was overall unrest among all sections of society, the areas of discontent differed from group to group. In order to understand the nature and process of the turmoil that took place in Gujarat, it is necessary to delineate the nature of the various groups and their problems.

Industrialists or big businessmen are not affected by the steep price rise or corrupt politics. They are highly organised and are in a position to assert their interests through organisations like the Millowners' Association, the Chambers of Commerce, Manufacturers' Associations, Wholesale Grain Merchants' Association, the Mahajans (Guilds), etc. And local associations are linked up with state and national level organisations. As a group they support the party and the faction which is in power. They give financial support to the Swatantra party as well as the ruling Congress. They oblige ministers, MLAs and officers and have no difficulty in "getting things done". What they cannot influence at the policy level, they manage to get at the implementation level. Their hold on the ruling party and on the administration is beyond doubt.

Groundnut oil dealers are well organised in Gujarat. In order to extract a higher profit, they are interested in exporting oil to other states. They smuggle out oil on a large scale to escape excise duty. The government has always succumbed to the oil dealers in one way or another. It was reported in the Press that the oil dealers gave large amounts to individual politicians of the ruling party and towards party funds for elections. These dealers were strong supporters of Chimanbhai Patel. At a meeting between oil dealers and the government in October 1973, the Chief Minister is reported to have said: "You know my interests and I know your interests. You protect my interests and I will protect your interests." Soon after this meeting, the prices of groundnut oil, which had shown a declining trend, shot up sharply. Moreover, in November the government gave up the practice of procuring oil through levy from groundnut oil mills. This also worked to the advantage of oil dealers. Nor was the government strict towards hoarders and blackmarketeers.

Individually, businessmen and industrialists are in competition with each other in business and public life. For status as well as patronage some of them sponsor educational institutions and several other voluntary associations. A few of them have also sponsored or supported students organisations. They support different political parties, Swatantra, Congress(O), Congress(R) and Jan Sangh. According to them, all the four political parties, though they differ in their postures, support their interests in one or another way. Individually, they also support different groups within the parties. And different industrialists spare no effort to bring men belonging to the groups they support to power and to keep them there in the face of opposition from their competitors. However, all of them are bitterly opposed to the 'radicals', the pro-poor politicians who are openly against business interests. For instance, during the recent events in Gujarat, the industrialists and the other rich persons were divided as supporters or opponents of Chiman Patel, Amul Desai, Ghiya, Adani, Oza or Thakorbhai Patel according to what at any moment suited their diverse personal interests. But they were all against Jhinabhai Darji, the president of the Gujarat Congress, who had refused to succumb to the demands of rich businessmen and industrialists. Suffice it to note here that they play a significant role in faction fights within the ruling party.

A section of the peasants has become prosperous during the last two decades. Thanks to irrigation facilities, fertilisers, new seeds and transport facilities and thanks to the enormous demand for cash crops in which the prosperous peasantry of central and south Gujarat specialises, the peasants have become very rich and very powerful politically. And they are no longer mere peasants; through their control of government and the co-operative credit institutions, they have become big entrepreneurs as well. They have thus been linked with urban businessmen and industrialists.

During the Independence movement, the peasants of central and south Gujarat launched agitations against the British government to oppose land revenue. And since Independence, they have been organised under different names. Bhailalbhai Patel, a leading Patidar leader of Kheda district and the founder of Vallabh Vidyanagar, organised a political party, Khedut Sangh, in 1952 to oppose land legislation. In 1968 the peasant interest in the Swatantra and Congress parties organised the Khedut Mandal, outside their parties. And in 1973, the Khedut Samaj, under the leadership of Dayaram Patel of south Gujarat, Vallabhbhai Patel of Saurashtra and Ambubhai Patel of north Gujarat, came into existence, to oppose 'progressive' land legislation. Besides such organisations, cotton growers, tobacco growers, sugarcane growers and others have set up their respective organisations and have worked as powerful lobbies within the Congress in Ahmedabad and New Delhi. Like the industrialists and rich businessmen, the rich peasants maintain good relations with the faction in power. Their hold on the administration too is strong. Land legislation has so far not been able to make much impact at the implementation level. And whatever surplus land has been acquired under the Acts largely has gone to the upper and middle castes. The condition of small farmers and landless labourers have remained more or less the same as before.

The Khedut Samaj had become active in the latter part of 1973 against the proposed land ceiling bill as well as the levy on paddy. In October the Samaj organised meetings, processions and demonstrations against the land ceiling bill. It organised a huge rally at Gandhinagar where a confrontation between police and demonstrators took place. A procession of teenage sons and daughters of the farmers was organised in New Delhi which submitted a memorandum to the Prime Minister, demanding protection of the minors' rights in land. The Kheduts also organised morchas and gheraoes against MLAs and tried to persuade them to resign from the state Assembly. In some villages, the organised peasants boycotted government works. These peasants demonstrated their strength in the Sabarkantha by-election in 1973 where they concentrated their efforts in favour of Sardar Patel's daughter Maniben Patel, the Congress(O) candidate.

The government could not scrap the land ceiling bill but at the same time it could not go against the peasants. It is interesting to note here that barring four or five members, all the Congress legislators favoured a raising of the ceiling. The government rejected a suggestion of a Congress MLA that agricultural land be taken over from so-called farmers whose non-agricultural annual income was more than Rs 15,000. The government also rejected even the simple suggestion of forming a watchdog committee to check on the implementation of the bill.[5] Nor did the government take any other steps to gear up its own administrative machinery to implement the bill. And the peasants took a pledge in public that surplus land would not be surrendered to the government for distribution among the landless under the land ceiling Act. A leader of the Samaj audaciously told a public meeting that the Act was not going to be implemented as "the Congress governments do exactly opposite of what they profess".[6]

The Samaj organised "patrol squads" in the 200 villages of Surat district "to keep a vigil". Each squad was headed by a "Commander" for a group of ten villages. It also organised "Sardar Senas" to protect the crops in the region. On November 24, 1973, a meeting of landless labourers was interrupted at Bardoli, south Gujarat, by the young sons of farmers. A Harijan youth was injured in the stone-throwing.[7] Similar incidents also took place in some villages of central Gujarat.[8]

During the first week of December the citizens of Rajkot city, Saurashtra, organised demonstrations demanding water for the city from the Bhadar Dam. At the same time, the farmers of Rajkot district threatened the government that they would launch a three-stage agitation, culminating in a satyagraha in the final stage, to forcibly release irrigation water from Bhadar Dam to the standing crop of sugarcane and cotton in an area of 7,000 acres in Rajkot district. The government released the water immediately.

Another major issue on which the peasants defied the government in December was that of levy. (The paddy levy is, in fact, not new. It was introduced by the erstwhile Baroda State.) The government has made several changes in the Levy Act over the years. The 1973 Levy Act is an improvement over the 1967 Act. According to the new Act, small far-

mers having one acre or less were exempted from the levy. Moreover, the rates had been fixed progressively whereby small farmers had to pay little and big farmers had to pay more. For instance, in Surat district, out of 70,000 farmers only 27,000 farmers (i e, 39 per cent) had to pay levy at different rates.[9] The idea was that only those farmers who were rich and had benefited from planning were to be affected by the levy. But as on previous occasions, to protect their interests the big farmers mobilised all peasants against the levy in the name of the common interests of the sons of the soil. We shall return to this point later when we discuss the agitation.

The poor — casual and unskilled labourers — are generally dumb. In the villages from where they migrate to urban areas, they are landless labourers. There they hardly used to get enough work to keep alive. As a rule they are illiterate. In urban areas they live in slums and their belongings are meagre. Though they live in the city, they are not acquainted with city life. They live at a sub-human level. The present political system is completely alien to them. They feel strongly the pinch of rising prices and scarcity. But this is not new to them. This has been a fact of life for them for long. Even during normal times, the prices have been always beyond their reach and they could not afford to meet even their essential needs which are any way very few.

Factory labourers are of two types. One comprises those who work on a daily wage basis. The factory rules of the government do not apply to them. If they work for more hours and produce more, they get more money. They do not get wages for Sundays and other holidays when they do not work. They are unorganised.

The other type of factory labourers are those organised in trade unions. Most of these trade unions in Gujarat are dominated by the Majoor Mahajan which is wedded to the philosophy of class collaboration and not class conflict. The Mahajan avoids direct action such as strikes or gheraoes. Even during the large-scale retrenchment of workers in the textile mills in 1972, the Mahajan did not launch any agitation. However, a few trade unions are controlled by socialist and communist parties. Barring a few exceptions, all the trade unions, by and large, work as brokers between the management and the workers. Or they work as clearing agencies for taking the problems to the labour officers and other authorities. Once in a while, they negotiate with the management on issues such as bonus or rise in wages on behalf of the workers. But they do not aim at developing a working class consciousness among the factory workers. Consequently, the factory workers look upon their problems in terms of economic demands and are not concerned with the larger issues relating to the societal structure. As a result, fraternity among the workers as a class has not developed in Gujarat. In fact, they have remained quite divided — among Hindus, Muslims, Baniyas, Harijans and so on. During the 1969 communal riots some of these workers killed each other.[10]

The number of the agricultural labourers has risen in Gujarat at an alarming rate during the last decade from 14.77 per cent of the working population in 1961 to 22.48 per cent in 1971. A few of them are attached labourers who are employed either on annual contracts, i e, from Holi to Holi (April to March) or on seasonal contracts for four months. As attached labourers they live with the employer and perform all sorts of chores from cleaning utensils to agricultural work. They are not organised and in social and political matters they follow the instructions of their masters. A large number of agricultural labourers are casual workers. They get employment for about 7 months in a year. For the remaining period, they either do not have anything to do or migrate to urban areas in search of unskilled jobs or work on their own land, if they have any. It is estimated that on an average a labourer is totally unemployed for a period of 100 days in a year. He gets roughly from Re 1 to Rs 3 per day for agricultural work. Seasonal employment and meagre income make the agricultural labourers' life extremely difficult. Except in south Gujarat, they are unorganised; therefore, their participation in any protest activity is negligible.

In south Gujarat, Sarvodaya workers have organised agricultural labourers, particularly the Dublas or Halpatis. The Halpati Seva Sangh, an organisation of agricultural labourers, works on the philosophy of class collaboration. The workers of the Sangh preach harmony between landlords and labourers. It mainly conducts welfare activities such as constructing huts, conducting night schools and propagating prohibition to uplift the labourers. The landlords, however, do not approve of these reformist activities of the Gandhians. Because they fear that education and consciousness among the Halpatis would endanger their interests, they try to curb the activities of the Sangh. This obviously creates conflicts between the landlords and Halpatis. In such situations, interestingly enough, the Gandhian workers pacify and control the labourers. During 1973, Halpatis of some villages launched a strike against landlords demanding a daily wage of Rs 3. In such cases, as Jan Breman observes, "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 a fundamental change in their dependence."[11]

The middle class consists of higher and upward mobile sections of intermediary castes engaged in white-collar jobs or small business. Like the working class, there is no common interest or ideology that inspires this class. It is divided into several groups of interests. Income-wise, the lower middle class — clerks, typists, accountants, shop assistants, teachers, petty shopkeepers, etc — is not better off than the industrial workers. Yet a great social gap divides the two who live in different residential areas in the cities. Industrial workers live in slums and chawls where the economic condition of the people is by and large same. Persons of lower middle class live in *poles*, i e, streets or recently constructed housing societies outside the old residential towns where the upper middle class and the rich also live. Thus their aspirations, norms and values are those of the rich. For instance, a clerk desires to have a refrigerator, a fan, a sofa-set, etc, because his neighbour or his relative possesses these things. For him, these are symbols of status. But he does not have the means to have all these 'luxury' items (looked upon by now by his class as necessities) which the neighbour who is either a government officer or small factory-owner has as a matter of course. Consequently, the present economic hardship hits him hard. The sense of "relative deprivation" is very strong in him.

By and large a middle class person is vocal and sensitive. He gets angry when he does not get a bus in time. He quarrels with the bus conductor, the rickshaw-driver, the station master, the postmaster, even the policeman and the government officer. He fights with shopkeepers and hawkers when they raise prices or indulge in fraudulent measurements or adulteration. He feels that it is his right to fight against injustice. And he finds injustice everywhere. "All are corrupt" he exclaims. But he finds himself helpless against government servants, organised bus conductors, rickshaw drivers, traders, police, etc. He sees immorality all around him. But he does not organise as a class against other organised interests. Therefore, consumer movements of the middle class have not succeeded against traders and farmers.

He feels that in the present social structure, he shuffers the most. He complains against the government, against its schemes for the development of backward classes and welfare programmes for the labourers. He also complains against industrialists and big businessmen. He feels somewhat like this: "Poor persons do not have many needs and they do not have to observe a certain etiquette...Rich persons have no problems. But we, the middle class, have short means, yet we have to live in a certain way. We have to maintain our status. A poor person can beg, but we cannot. We are, therefore, sandwiched between the affluent rich and the frugal labourers." The middle class is full of such agonies. The most organised and articulate sections of the middle class are the teachers and the students. They are large in terms of numbers and they are highly sensitive and vocal.

College teachers who come mainly from the upper and middle castes are a force to reckon with in Gujarat. During the last decade they have organised and developed a powerful teachers organisation for protecting and advancing their interests against university and college managements. The college management is largely dominated by big businessmen, industrialists and rich peasants.

Further, college teachers of Gujarat in general and of Ahmedabad in particular are more politicised than many other sections of the middle class. Some of the college teachers write regularly in the vernacular newspapers on all major issues facing society. College teachers in general, and their organisational leaders in particular, were against Chimanbhai Patel who had been a teacher, a principal of a college and manager of a string of colleges. Chimanbhai Patel had used his control of the colleges for political ends. He was responsible for bringing back Ishverbhai Patel as Vice-Chancellor of Gujarat University. Ishverbhai Patel had earlier been bitterly opposed by college teachers and made to resign. It may be noted that despite strength and organisation, college teachers could not succeed in the elections to the University Executive (Syndicate) and in the Vice-Chancellor's election in which Chiman Patel, using his power and patronage as Chief Minister, had personally and openly canvassed for his own candidates. The teachers' leaders had launched an agitation for preventing Chiman Patel from becoming the Chief Minister of Gujarat in July 1973.[12] Both the political success of Chiman Patel and his success in imposing his will in the affairs of the University produced a sharp sense of frustration among teachers.

As elsewhere, more than 75 per cent of undergraduate students come from middle-income or high-income groups and belong to high or middle castes. The composition of the students, by their fathers' occupations, varies from city colleges to taluka town colleges. In the cities, according to a survey of college students, the fathers of 36 per cent of the students are engaged in white-collar jobs, either in the government or in private service. The fathers of about 27 per cent of the students are either businessmen or factory owners. And 16 per cent of the students are sons of farmers. Barely 2 per cent of the students come from the working class.[13] In taluka town colleges a majority of the students are the sons and daughters of farmers. Among the hostel students of Baroda, Ahmedabad, Surat, Morvi, Bhavnagar and Rajkot, many belong to the landed class.

On the whole, a large number of students are not interested in their studies. They find their studies tiresome, boring, bearing little relationship to their lives. The students, particularly those belonging to the lower middle class, complain that the present education does not enable them to earn a stable livelihood. They constantly worry about their future economic security. But they do not know the way out. They therefore imitate the rich students. On the other hand, students belonging to families of rich peasants, factory owners and big businessmen do not care for their studies either — though for quite different reasons. For them college is a pastime. They say "we do not care for studies. We do not want degrees. We have enough land ... We have joined college just to have experience of college life. This is a time to enjoy life." On the whole, except for their dress and permissiveness in sex relationships, available studies suggest that students do not hold values different from their parents or the ruling class.[14]

However, a small but significant section of students in all cities is more sensitive towards social problems such as poverty, inequality and injustice. For instance a group of students in Ahmedabad formed a group, named *Hun*, i e, "I", in 1971. In 1972, the group brought out a mimeographed booklet, 'Donkey', in which it satirically compared politicians with donkeys. On January, 26 1973, the group published a booklet *'Bhukh'*, i e, hunger. On the front page, it says "What are *'ladus'*? Where are the *'ladus'*? Are those *'ladus'* meant to be thrown away? Are they to be worn? Or are they to be eaten?" The point that the group was making was that poor people do not know what *'ladus'* are. Significantly, the booklet was inaugurated by a shoe-shine boy. In Baroda and Surat some students organised study circles in 1973 to discuss economic and political problems. A few students also sometimes visit slum areas with a view to helping poor persons.

The more affluent section of the student community is not serious about its studies. They either read during the last month before the examination or get marks through illegitimate means. Many of them are more interested in films than in sports, debates, drama, dance or discussion. They roam about on the college campus, tease girls, use vituperative language, sit in restaurants, go to film shows, take LSD or liquor and thus simply "kill" time. When in a crowd, they harass the older men, bus drivers, conductors, hotel boys, hawkers and, above all, girls. They have a nuisance value in urban areas. Their mischief and supposedly carefree life attract many other students to their fold. And with money, they are able to collect groups around them. They are always in favour of a strike, if not for any other reason then at least for fun.

There is no powerful city or state level students' organisation except the Vidyarthi Parishad which is associated with the Jan Sangh. During the last five years, about one dozen student organisations have come into existence in Ahmedabad. But none of them has a stable organisational net work, programme or regular membership. They are largely *ad hoc* creations of some temporary events. They launch agitations and issue press statements but

there is no follow-up. Most of these organisations are supported by different political leaders belonging to the ruling as well as opposition parties. In order to make their appeal citywide, the various organisations get united under some common banner. For instance, the Vidyarthi Madhyastha Samiti was formed in 1971 for launching agitation against the fee rise in Ahmedabad.

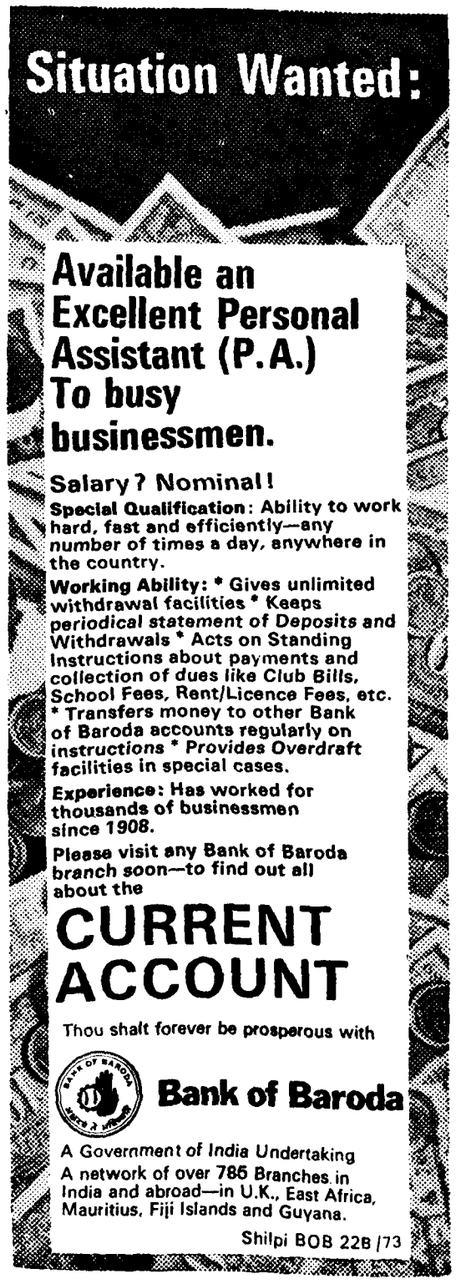
On the whole, students' agitations have increased in India since 1966-67. During the period 1967-68 to 1969-70, the incidence of agitation among university students on a rough count was around 45 agitations per 10,000 students per year; and of these around 14 per 10,000 were violent. Large-scale students agitations had become a regular feature after 1965.[15] We do not have data on students agitations for the whole of Gujarat. However, the data on protest and violent incidents in Surat and Ahmedabad suggest that Gujarat was relatively peaceful till 1963 on the student front and the number of students' protests has increased in the last five years.

Our own survey data on the students of Surat city suggest that most students participated in school or college strikes. About 49 per cent of the undergraduate (Arts and Commerce) students approved of strikes in colleges on students' problems. They believed that teachers and college authorities did not listen to their complaints. Thirty four per cent of the students, however, disapproved of strikes. They felt that only rowdy students organised strikes. Some of them reported that most of the strikes were organised on flimsy grounds.

During 1973, the students of Gujarat launched several agitations. In March-April, B Com students walked out of their examination centres in Ahmedabad in protest against "tough" questions papers. The authorities gave in to their demands for a re-examination in all papers. In June-July, students of the Ayurvedic College of Ahmedabad damaged the college building in support of their demands. In July students launched an agitation protesting against the in-fight in Congress between the Chiman Patel and the Oza factions. They also gave a call for bandh in support of their demands. In October, students of the H L Commerce College, Ahmedabad, demanded postponement of first term tests as they wanted to participate in flood relief work. The college authorities and teachers did not listen to the students' demand and the principal and the professors resigned *en bloc* in protest against the demands. The students had to withdraw the demand but the tension continued.

In November 1973, students of Petlad College of Kheda district organised a procession against the University authorities for reinstating the principal of the college. All colleges of the district supported the demand.

In Baroda, the conflict between students and the State Transport authority has remained a permanent feature throughout last year. In south Gujarat, students launched an agitation against a fee rise and for the removal of the "internal evaluation" system. In Surat,



Navsari and Chikhli several instances of student unrest were reported. In Saurashtra, particularly in Bhavnagar, Morvi, Rajkot and Jamnagar, students agitations on some issue or the other had been reported almost every other month in the newspapers.

Besides, as a result of the new University Act the students of Gujarat University were given representation and 11 out of 145 seats in the University Court (Senate) were allotted to them. In October 1973, in the elections to the Court students were mobilised by teachers, political parties and managements. Because of their resources, the managements could win over the students and get their support for their nominees in the elections. Some popular teachers and students were defeated. This produced frustration among the student leaders.

Changes in Style of Politics

With the formation of Gujarat state in 1960 and the introduction of Panchayati Raj in 1963, the public life of Gujarat entered a new phase in its political style — a gradual progression from elitist to mass politics. Till the mid-1960s the Baniya-Brahman styles of politics with its vague Gandhian concepts of propriety in public life dominated. This style was largely acceptable to the urban educated middle class, particularly the upper castes engaged in white-collar jobs or business. According to this style, an individual's personal and public life are so divided that while any means that led to success was acceptable in private life, 'purity' in public life was to be insisted upon. The latter implies two things. One, there should not be coercion and corruption in public life either to win over or to defeat one's opponents. Accommodation in distributing positions or favours among both one's followers and one's opponents with a view to maintaining oneself in power was acceptable. But the use of either money or intimidation or recourse to coercive methods was not acceptable and was considered both undemocratic and bad. Second, the finances of public institutions should always be above suspicion. One can cite several examples of Baniya businessmen accumulating money through illegitimate means but in their association with public institutions they are found to be straightforward and meticulous in maintaining accounts, etc.

There has been another style of politics alongside this, with feudal remnants and with the accent on success by any means. In this style, the end is more important than the means and one should follow any means to attain and maintain political power. There is no inhibition against distribution of money, use of coercion, kidnapping and intimidation. These are accepted as an inevitable part of politics.

The Gujarat Congress was dominated by the Baniya-Brahmin style of politics till the formation of Gujarat in 1960. It was one of the most disciplined, well-knit and organised political parties in the country. Though there were differences and groups within the party, these were not as sharp as in many of the northern states. The state party did not fall in the scheme of the factional structure that was conceived as an integral part of the "Congress system". Most of the decisions of the party were taken by consensus, usually dominated by one leader. The leader was expected to be above all groups. Congressmen believed that the party was like a 'family' and party difference should not be discussed outside the party. Almost till 1967 the Gujarat Congress by and large did not submit its internal problems to the Congress High Command for resolution. The working of this style was evident even during the Jivaraj Mehta episode in 1963.

At the same time the Jivaraj Mehta episode was also the beginning of the decline of the Baniya-Brahmin style of politics. A signature campaign against Mehta was organised on the ground that he did not accept the directives of the *movadi*, i e, the elderly leader (Morarji Desai).[16] And at the same time, Chimanbhai Patel, Kantilal Ghiya and Thakorbhai Desai ignored the *movadi*, i e, the elderly leader Morarji believed that a signature campaign against an elected leader was not a healthy practice. Yet, he took the responsibility for this action on his shoulder, befitting a *movadi*. This was a part of the Baniya-Brahman style. However, the point should be underlined that the urban middle class did not approve of the way in which Jivaraj Mehta was ousted.

By the biginning of the 1960s, Patidar and Kshatriya groups in the Swatantra party joined hands to break the monolithic structure of the Congress. Both of them have a feudal past and they had little tolerance for the Gandhian style of politics. They followed the manipulative style of politics within and outside the Swatantra party. In 1967-68, the Swatantra party, having failed to capture power, adopted this style in an even more naked form. Its leaders followed different means, including coercion, bribery and kidnapping of MLAs to win over the members of the Congress.[17] In fact, this style of politics was all along prevalent in the villages. But it was for the first time that it was practised openly and on a large scale in Ahmedabad, the state capital. Reacting to this and in order to preserve power, the Congress party followed the same style. But because of its well-knit organisation, it did not have to adopt that style as openly as the Swatantra party.

The hold of the Swatantra party declined with the split in the Congress in 1969. The new Congress followed the manipulative style of politics, and emerged as a strong party in the state after the 1972 state Assembly elections. Ghanshyam Oza became Chief Minister of Gujarat in March 1972. Faction fights began within the party, between the Oza-Adani-Darji group and the Chimanbhai-Chiya group. Both the groups followed the manipulative style of politics. But Patel proved more skilful than the others and managed to edge them out. By now the Baniya-Brahmin style of politics had become obsolete. And during the last three years, popular vernacular newspapers have reported in detail the day-to-day manipulations in politics. With this the conscious and vocal sections of society, particularly the urban middle classes, became disgusted with politics. They branded it as "corrupt politics" and revolted against it.

The politicians began to rely so much on manipulative politics that they lost their contact with the masses. In the cities as well as in the villages, the party leaders increasingly depended on brokers, smugglers, goondas and those who gave finance to the party rather than on committed party cadres. The old guard who were respected and who were always ready to help the people have slowly disappeared from the scene. Professional politicians who are not respected and loved have taken their place. People go to them for getting certain concessions from government offices and, in turn, politicians approach them for votes during the elections. These politicians do not enjoy any moral influence over the people.

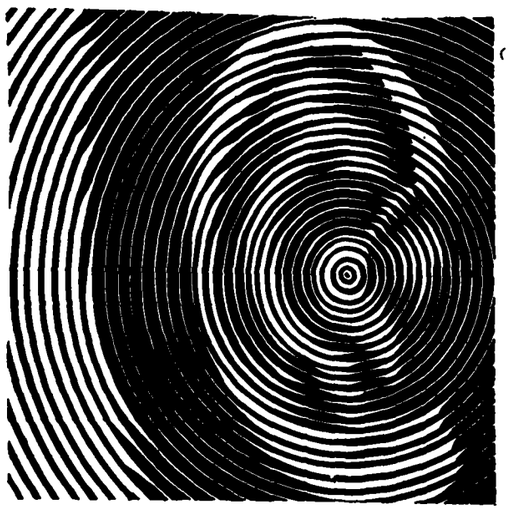
The character of the ruling Congress, except for increased exhortations in favour of socialism, has remained the same as that of the undivided Cong-

ress. It is a hotchpotch of various divergent interests. In order to win the 1971 and 1972 elections, the party obtained the support of smugglers, bootleggers, as well as rich peasants, factory-owners and businessmen. It got men, money and material from these groups. On the other hand, it gave high promises to the middle class, the poor and the labourers. All shades of opinion and opinion-holders, from Swatantra to Communist, were accomodated in the Congress.

The party has certain disadvantages as compared to the undivided Congress. First, the new Congress in Gujarat was born out of manipulative politics. Some joined the party because certain opportunities were offered to them. Some joined it because they had no opportunities in the undivided Congress. And some others joined it because they saw this party rising to power surely and suddenly after the 1971 elections. Only a few joined the new Congress on ideological grounds. Consequently, there was more opportunism than party commitment among Congressmen. They were more interested in attaining personal power than building up the party. Secondly, though there were conflicts and factions in the undivided Congress, the present factions were very sharp and open. During the last two years, many of the state-level leaders had undermined the party's prestige and discipline.

Most of the state-level party leaders were deeply involved in internal power struggles and they had no interest in building the party. The Central High Command of the party entrusted the responsibility for party building to Jinabhai Darji. He was made convenor of the state party in April 1972 after the state Assembly elections. Darji, an artisan by caste, rural bred, who had worked among the tribals for many years, had sympathy for the poor. He did not have the sophistication of the middle classes or the rich. While he was the president of the district panchayat for more than five years, he dealt firmly with officials. He has a harsh tongue. Because of his pro-poor policies and harsh tongue he was rather unpopular among the urban middle class. Particularly, the upper middle class, kulaks and businessmen were bitterly against him. Most of the vernacular Press started a campaign against Darji after he became the president of the Gujarat Congress. However, the youths who had joined the party with the hope of bringing about socialism and the backward classes enthusiastically supported Darji. They found hope in him.

After becoming the convenor, Darji travelled all over the state to organise the party. He also tried to mobilise young persons. At the same time, he firmly dealt with opportunistic elements and also tried to keep businessmen and black marketeers out of the party. He won the election to the Gujarat Congress presidentship against Vakharia, an ex-PSP member and a nominee of Chiman Patel. Ex-communists like Himmatsinh and others joined hands



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with Patel against Darji. Despite his victory, it was not smooth sailing for Darji. His opponents were bitterly against him and missed no opportunity to embarrass him. At the same time, many of his supporters who, though they backed him against Chiman Patel for different reasons, did not support his pro-poor politics and his party building activity. Consequently, Darji had willy-nilly to compromise and struggle both within and outside his group. Most of his time was spent in solving disputes among different groups. Consequently, taluka offices of the party could not be organised at several places. And there is evidence to show that even some district offices were not functioning and remained closed for weeks. Taluka and district leaders were busy pulling each other down. As a result, Darji did not get co-operation of state and district party bosses and he did not have funds even to run the state party office. He frequently expressed his desire to the High Command to resign from the post.

On the government front, the party's record was poor. Soon after the Congress came to power, the state faced a serious drought. Despite this, the government under Oza managed to perform rather well initially. But slowly, the government was losing its grip over economic problems which worsened after the change of chief ministers and the preoccupation of the opposing factions with day-to-day political wrangling. The prices of some of the essential commodities rose very high in July 1973. The government was helpless. The rich peasants and the big businessmen who had financed the party began to assert their claims.

In July 1973 Oza was ousted by Patel through manipulative politics. Patel got the support of the communists as well as of industrialists in his bid to capture power. Consequently, he was obliged to pass certain legislation which looked socialist. But when it came to implementing these measures he and the administration succumbed to the rich peasants and the big businessmen. Such actions displeased both the rich peasants and the poor people in the cities and in the countryside.

Chiman Patel became Chief Minister at a time when food riots had started in Ahmedabad. In order to calm the riot situation and to win popularity, Patel announced several measures aimed at controlling prices. Narendrasinh Jhala, the Minister for Civic Supply, once a Swatantra party leader, announced in August that several businessmen had agreed to reduce price of commodities used by the urban middle class. However, Jhala's agreement with the businessmen did not work for even a fortnight. On the contrary, prices increased further after August. Both Jhala and Patel repeatedly announced that the government would take action against hoarders and blackmarketeers. In December, the Chief Minister announced a series of measures, including invocation of the DIR, to deal with hoarders in the state. Export of foodgrains like wheat, rice, paddy and bajra outside the state was banned. But all these were mere announcements. They were not followed up by any action. Jhala publicly accepted that their threats had no impact on rich farmers or traders.

The moral authority of the government had by now been seriously jeopardised. People felt that the government was helpless and was not capable of controlling prices. The Patel government, according to them, did not mean business. Such feelings were reflected in news items, editorials, articles and letters in the newspapers. Further, rumours spread in the cities that Chimanbhai and Jhala had got several lakhs of rupees from businessmen and oil dealers and that in turn they had allowed the prices of edible oil to rise steeply despite a bumper crop. Some ministers were known to maintain open contacts with known smugglers and black-marketeers. All this raised doubts in the minds of the people about the sincerity of the ministry. There were also strong rumours that Patel and Chhabil Mehta, the Public Works Minister in Patel's cabinet, took money even from government servants for withdrawing corruption cases. Several other similar rumours kept spreading. What is important to note here is that such rumours, none of which was effectively countered, created hostility against the Chief Minister. For the first time, corruption charges had been levelled against the Chief Minister in public. And Chiman Patel lost credibility in the public eye rather quickly.

Thus, both on the organisational and governmental fronts, the Congress party's record of performance was poor. The gap between the people — particularly the disorganised middle class — and the party increased. Within the party, some of the so-called radicals felt that the Chief Minister was siding with the rich peasants and the blackmarketeers. They also felt that he was depending solely on corrupt tactics. But they were in a minority in the party and therefore helpless. Consequently, directly or indirectly, some of the top leaders supported the students' agitation. We shall return to this point again. Suffice it to note here that the Congress was a divided house. And factions were based on personal considerations and not on ideology.

The Congress (O) in Gujarat had been reduced in strength after the 1972 Assembly elections. Many left the party and those who remained were frustrated. The party became almost dormant for a year. However, thanks to the strong party loyalty among members, the party slowly recovered from its shock and launched certain programmes in 1973. A team of party workers worked in the drought-affected areas and organised campaigns against price rise in mid-1973. The party organised a torch march throughout the state for rousing public opinion on the Narmada issue. It also organised a training camp for the proposed satyagrahies who were to launch a satyagraha for securing a height of 560 feet for the proposed Narmada dam. Moreover, the party also supported the anti-levy movement launched by the peasants and thus tried to get rehabilitated among them. People began to compare the Patel ministry with Hitendra Desai's ministry under the undivided Congress and felt that the latter had been at least not corrupt.

The Jan Sangh too slowly gained ground in the urban areas. Its nationalist posture and militancy attracted young boys. The party took up local issues and launched agitations. For instance, during the first week of December 1973, the party organised a large-scale agitation on the water problem in Rajkot. The demonstration was followed by looting and arson. Like Congress(O), Jan Sangh supported the anti-levy movement of the peasants and also launched a campaign against rising prices.

However, though the Congress(O) and the Jan Sangh could rouse opinion among the urban people against the price rise, they could not attract large masses to their party activities. Their meetings and processions consisted of not more than a few hundred persons in Ahmedabad, Baroda or Surat. The Leftist parties, CPI and CPM, have very little influence in Gujarat.

Since the beginning of the seventies, hopes among the urban and rural poor in Gujarat had been aroused. On the

other hand, big businessmen and kulaks became alarmed by the 'garibi hatao' slogan of the Congress. They organised themselves and pressurised the government to look after their interests. The party in power, being dominated by the rich, succumbed to their pressures, both at the policy and the implementation levels. Artificial scarcity, black-marketing and rising prices were the result.

The Congress party remained a crowd of opportunists. A few young idealists found themselves misfits in the party; they therefore left it in disgust. Party bosses at all levels were involved in cutting each other's throats. People, particularly the educated urban middle class, were put off by the manipulative politics of the Congress. But they did not find any alternative party to support. The average urban dweller found himself powerless and alienated. His faith in the present political system had sharply weakened during the last two years. An increasing number of people found violence and direct action to be the inevitable ways to solve their problems. With this background, we shall now turn to the recent agitation.

II

Unorganised Masses and Organised Groups

We have provided above the background for understanding the events that rocked Gujarat from January to March 1974. We shall now give an account of the agitation.

In July 1973, on the eve of the change of Chief Minister, from Ghanshyam Oza to Chiman Patel, the teachers and students of Ahmedabad launched an agitation against corrupt politics. The agitation turned into food and then communal riots. The police, however, controlled the situation within three days.[18] The law and order situation returned to normal quickly. But tension continued and in fact was continuously mounting, expressing itself in sporadic riots at several places in the state. The January-March agitation was a continuation of the prevailing tension in the state. The riots and agitations were all directed against the government. Some of these events took place simultaneously and it is therefore difficult to give a precise chronological account. At the same time, there seems to have been a certain sequence of developments. The objectives of the agitation seem to have changed in a certain order.

As discussed earlier, the food problem became acute in December 1973. People found it difficult to live in the face of constantly rising prices. Several voluntary organisations such as locality organisations, youth clubs, women's organisations and other non-political organisations, as well as political parties, raised their voices against the price rise and the scarcity of foodgrains. Newspapers were replete with headlines on the food problem.

Some organisations urged that a statewide agitation be launched against high prices. The Civil Supplies Minister admitted in public that the food position was not satisfactory in Gujarat. He alleged that the Centre was not supplying an adequate quota of food to the state. The Chief Minister also said that the state would face a crisis on the food front in the following few months. Contradictory statements by different ministers appeared in the Press on food supply and distribution. One of the top ranking leaders of the Congress party asked for the resignation of the Civil Supplies Minister for his failure to meet the needs of the people. One MLA from south Gujarat offered to resign if the government failed to control the prices and provide food to the masses. Some dissident Congress leaders called a meeting of Congressmen on January 5, 1974 to discuss the launching of an agitation against scarcity and price rice. A Congress MLA said in public that the Chief Minister was protecting vested interests. He alleged that ministers were indulging in corrupt practices in broad daylight. He, along with 23 other MLAs, demanded President's rule in the state for six months. However, the people did not put much trust in their radical speeches. They believed that such speeches were only a part of the power struggle in the Congress. They asserted that they wanted foodgrains and not speeches.

Congress(O) declared in the last week of December that the party would organise public meetings in various areas to mobilise public opinion against the price rise. A conference of the Gujarat Chamber of Commerce, held in Ahmedabad on January 5, demanded denationalisation of wholesale wheat trade. It alleged that the food crisis in the country was due to the nationalisation of wheat trade.

The Jan Sangh was very active in Ahmedabad and Saurashtra in exploiting the grievances of the masses. It gave a call to observe an anti-price rise week in Ahmedabad and elsewhere. On January 1, 1974 it gave a call for a Jetpur (Saurashtra) bandh. The party organised a procession and attempted to lock the Mamlatdar's office. The police foiled its programme. The agitators retaliated against the police action by throwing stones. Later, the crowd looted two shops and set fire to the purchase and sale shop from where foodgrains were distributed. Lathi-charge and tear-gas followed, 175 men and women courted arrest and police arrested another 80 persons on charges of looting. The Jan Sangh again gave a call for a Jetpur bandh on the following day in protest against alleged police atrocities in the town.

In Ahmedabad, the Jan Sangh organised public meetings every day from January 1 against the price rise. Stone-throwing incidents invariably followed the end of every meeting. On January 6, stone-throwing took place in as many as seven places in Ahmedabad. The places were middle class localities, *viz*, Khadia, Dariapur, Relief Road, Gandhi Road, Delhi Chakla, Saraspur and Kalupur. These localities were to become the storm centres in the subsequent agitation. Lathi-charge, tear-gas and at one place firing also took place.

Anti-Levy Satyagraha

While the anti-price rise agitation was spreading in urban Gujarat, a different kind of agitation developed in the rural areas of south Gujarat. This was the anti-levy satyagraha. In order to show the importance and strength of the farmers the Khedut Samaj stopped the supply of milk and vegetables to the cities for two days. The government, having a soft corner for the peasants, did not take firm action against the agitators. In fact, landless labourers declared that they would assist the government in procuring the levy. They also said that they would show the godowns of the farmers to the officers for procurement. In retaliation against this offer and following the arrest of khedut leaders, disturbances took place in Bardoli on January 3. The young sons of farmers were active in the anti-levy satyagraha. They were overtly more militant than their fathers. They organised a procession in protest against the arrest of two Khedut Samaj leaders. A crowd of students attacked Arvind Desai, a prominent leader of landless labourers and at that time a close associate of Jhinabhai Darji, the GPCC President. He was severely beaten and his house and furniture were set on fire. After this, several confrontations between landless labourers and farmers took place in the villages of Surat district.

On the following day, January 4, a procession of three to four hundred persons, mainly diamond cutters who were migrants from Saurashtra and were known for their rough ways, was organised in Surat. It became an unruly crowd which went on a rampage and forced the traders of the city to close their shops. Stones were thrown at public and private property. Incidents of looting and arson also took place. "Khedut Samaj Zindabad" and "Indira Murdabad" were the two slogans shouted by the crowd. Significantly, there were no slogans against Chiman Patel or the Gujarat government. On inquiry, we came across several people who were more concerned with price rise then with the cause of the Khedut Samaj. They joined the agitation because it was against the government. It was not a spontaneous crowd. The procession was organised and supported by some political leaders of Surat city.

On the 7th a bandh was observed in several towns of south Gujarat (Valsad, Bardoli, Valod, Buhari, Navsari, etc) which are the strongholds of the peasants — again, in protest against the arrest of the Khedut Samaj leaders.

The price rise had affected hostel students. In December the mess bill rose from Rs 85 to Rs 120. According to the manager of the mess of L D Engineering College in Ahmadabad about 45 to 50 per cent of the students found it difficult to pay the mess bill regularly.[19] The hostel students were also dissatisfied with the quality of food, as one of them (a final year student from Morvi) said, "This is not a new problem for us. Ever since I joined the college, we have been complaining against the quality of food and sometimes we boycott our lunch or dinner." Besides food and bad management of the mess, their anger was aroused by the internal evaluation system, the semester system, the authoritarian attitude of teachers, etc.

On the issue of the mess bill, the students of L D Engineering College became violent, setting fire to the furniture and other belongings of the rector on December 20, 1973. The rector resigned and a committee was formed to look into the demands of the students. Similarly, on December 28, 1973 after returing from a party given by a Jan Sangh leader who got elected to the municipality, about 150 students of Morvi Engineering College destroyed the furniture of the college and the mess. They beat up one of the two rectors and his son. His furniture and scooter were set ablaze. The agitation continued for four days. The college was closed.

The agitated students of L D Engineering College of Ahmedabad again launched a strike on January 3, 1974 on the same issue. The students destroyed college and hostel furniture. Police entered the campus and the confrontation between students and police continued for several hours on the 3rd and the 4th. Some students were severely beaten up by the police, some were arrested, and it is alleged by several students that policemen stole their wrist watches and money. The behaviour of the police added fuel to the fire.

The Engineering College being situated in the vicinity of the university campus, the incident there affected the students of other colleges and hostels. On the 5th, about 1,000 students went to Navrangpura police station in a procession, demanding the release of the arrested students of the hostel. The Police Constable in charge of the police station expressed his inability to comply with the demand as it was beyond his power to take the decision. The infuriated mob went to Congress House. There they asked the Congress Secretary to convey their feelings to the Chief Minister and the Congress President. The President was out of station and the Chief Minister said that he did not have time to meet the students. The students discovered that the Chief Minister had time to attend the premiere show of a film. They felt that the government did not care for the people. Consequently, for the first time anti-Chimanbhai slogans began to be shouted. However, the Police Commissioner later met the students and released the arrested students who numbered more than three hundred.

Following the agitation of the students of the engineering colleges of Ahmedabad and Morvi, some students of Ahmedabad formed a committee called the Yuvak Lagni Samiti. The Samiti gave a call for an indefinite strike in schools and colleges from January 7 in protest against the closure of the L D Engineering College and the high mess bills of the hostels. Most of the schools and colleges responded to the call. Sporadic incidents of stone-throwing took place on Relief Road and Gandhi Road.

A meeting of more than a hundred student representatives of different colleges was held at Sardarbag on January 7. The meeting gave its approval to the call for a strike and directed that the strike should continue. The major demands of the Yuvak Lagni Samiti were reduction of mess bills and redressal of certain educational grievances. They were:

(1) Mess bills of hostels should not exceed Rs 70 per month, per student;
(2) police atrocity should end;
(3) the University should reduce term fees by Rs 10;
(4) the conveners of the Youth Festival must resign because they invited hoarders, businessmen and black-marketeers instead of artists and educationists at the valedictory session;
(5) the Education Minister should resign as she did not carry out her duties;
(6) police should not enter the university campus;
(7) the university should stop compulsory collection of Rs 2 for mark-sheets; and
(8) hoarders and profiteers should be arrested and good foodgrains should be distributed to the masses.

Besides several college-based student organisations, the Akhil Bharatiya Vidyarthi Parishad, the student front of the Jan Sangh, supported the demands of the Lagni Samiti. And the students of the Vidyarthi Parishad observed a fast on the pavement near Apana Bazar, a co-operative store. Thus, it was an attempt to link the students' problems with the anti-price rise agitation of the Jan Sangh. However, soon after the Sardarbag meeting, a student mob damaged the car of the Finance Minister, Amul Desai.

During the night a number of shops selling foodgrains, provisions, oil and ghee were looted by the mob. The worst affected areas were Khadiya, Saraspur, Dhana Sutharni Pole, Vadigam, Dariapur, Panch Bhai Pole and Chhaga Bari. In a conflict between students and police, six policemen and several students were injured. The police arrested 188 persons.

In Saurashtra several towns, Dhrangadhra, Gondal, Jasadan, Jamnagar, etc, also observed bandh on the 7th in response to the Jan Sangh's call. In Dhrangadhra a clash between police and the crowd continued for three hours. The police carried out a lathi-charge and also burst tear-gas shells.

On the 8th some student organisations such as the Gujarat Students' Circle, Gujarat Students' Federation, Nav Javan Sangh, etc, organised a pro-

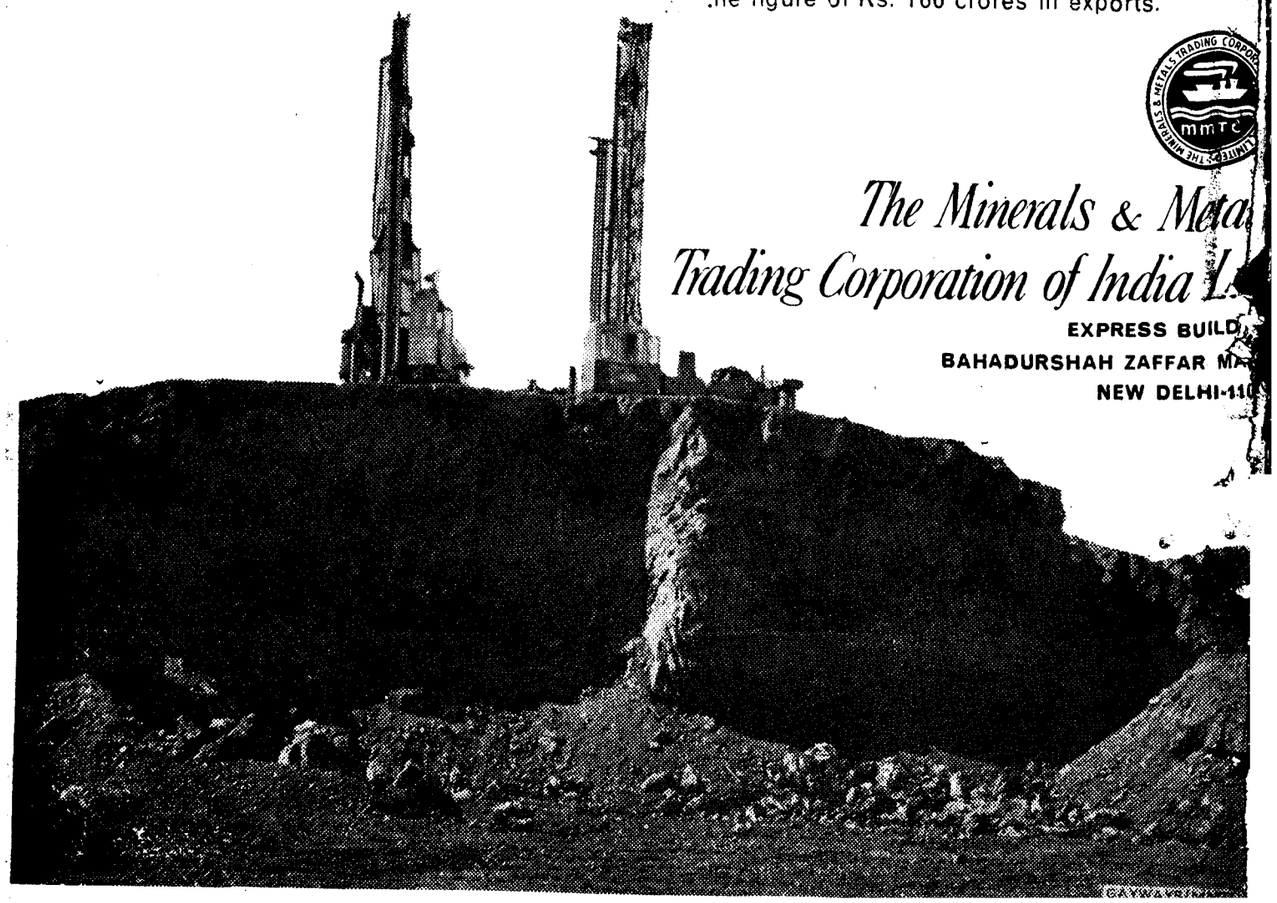
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cession of students against rising prices. Their plan was to set on fire a demon representing the price rise. However, the leaders of the procession were arrested before they could carry out the programme. Some other student leaders were also arrested on the eve of their evening meeting at Sardarbag. Except for destruction of a milk booth and some sporadic stone-throwing incidents, Ahmedabad had a peaceful day.

In Saurashtra, Wankaner observed a bandh in protest against the police atrocities in Jetpur. The call was given by the Jan Sangh. Some stone-throwing incidents took place. Police used tear-gas and lathi; 10 policemen and 15 other persons were injured. Savali, a small taluka town of Baroda district, also observed a bandh. There the call was given by the Congress(O).

On the 9th morning students assembled in the University Senate Hall. There they pledged that they would sacrifice their studies to procure essential commodities for the people. For the first time, they openly linked students' problems with the problems of the masses. And after a few hours the general meeting of the Gujarat University Area Teachers Association (GUATA) took place in the same University Senate Hall. The teachers decided to launch an agitation against the Vice-Chancellor for his pro-management policy. The secretary of GUATA opposed police atrocities to curb the students' agitation.

On the 9th, the students observed a "Vidyarthi Curfew" for three hours from 9 am to 12 noon. Accordingly, students did not allow vehicles, whether private or public, to ply on the roads. Some students lay down on the roads to prevent the movement of vehicles. Some student leaders were arrested. In order to demand the release of the students, a large procession of students went to the police station.

Several stone-throwing incidents took place in the city. Foodgrains shops of the Dariapur and Lunsawad areas were looted. Seven milk booths were set ablaze. Besides tear-gas shells and lathi charges, police opened fire on the crowd. Several persons were injured in the confrontation. Night curfew was imposed in some parts of the city.

On the same day, the Jan Sangh and the Congress (O) organised a bandh in several towns: Ankleshwar, Dharampur, Vicchia, Mahuva, Bagsara, Vagodia. In Himatnagar of Sabarkantha district, students went on strike in support of the Ahmedabad students. They organised a procession and threw stones on shops and the police. The police lathi-charged the crowd.

The 14th August Shramjivi Samiti, dominated by leftists, an organisation of several trade unions of white-collar employees, including of the Jan Sangh and the Congress (O), gave a call for Ahmedabad bandh on January 10, against the price rise and scarcity. It declared that the price rise and scarcity were man-made. The Gujarat government had failed to jail the people who were really responsible for the price rise and scarcity. This had led to food riots in Gujarat. The Samiti also added that instead of providing essential commodities to the people, the government had used force to curb the demands of the masses. The bandh call of the Samiti was supported by 80 trade unions of the city (mainly of the white-collar employees), various political parties including the Jan Sangh, School Teachers Association, Gujarat University Area Teachers Association, Yuvak Lagni Samiti and various other students organisations. Purshottam Mavalankar, an independent MP, also supported the bandh. And three senior ministers of Chiman Patel's cabinet hailed the students' struggle against the price rise. They appealed to the students to leave their classes and lead the people.

The city observed almost total bandh on the 10th. Newspaper offices also did not work. However, the textile mills were working as the Majoor Mahajan did not support the bandh. From the morning crowds gathered at various places and sporadic stone-throwing incidents started. As the day passed, tension mounted and looting of provision and oil shops began: 30 shops were looted and 20 shops and milk booths were set ablaze. The police fired 57 rounds at 20 places; 52 tear-gas shells were burst at 16 places. Yet the confrontation between the police and the crowd continued for the whole day. And in spite of the imposition of curfew the riots continued for the next two days. The situation was under some control on the 13th.

Students of the Baroda University left the classes on the 10th. They threw stones and damaged college and private buildings. While stone-throwing continued, Jan Sangh workers organised a procession, a mile-and-a-half away from the college. It was followed by stone-throwing incidents. During the afternoon two foodgrain shops in Raopura were looted. Riots then spread to several other parts of the city. Foodgrain, oil and kerosene shops were looted. Bus-stands and milk cabins were set on fire. The police opened fire, burst tear-gas shells and lathi charged violent crowds. The confrontation between police and crowd continued for two days despite the "shoot-at-sight" order. The mood of defiance had caught on.

The battle between the State Reserve Police (SRP) and the people continued in the *poles* (intertwining narrow streets with lanes within lanes) of Ahmedabad on January 10 and 11 and thereafter for two months. The residents of the poles retaliated against police atrocity in groups. From balconies and terraces, they threw stones at the police. A strong "we" feeling grew among the members of poles and united the residents against the police. The residents of the poles act together to defend any person of the pole. Each pole has its own organisation which undertakes social and medical services for the inhabitants. Moreover, the physical structure of the poles is defence-oriented. There is only one entrance. And the main street of the pole is divided into small lanes, each of which is further subdivided until all that remains is just a narrow passage to walk through.[20] Both social homogeneity and a physical structure oriented to defence helped the residents in giving a stubborn fight to the police.

The situation was aggravated by the indiscriminate use of police force in the middle class areas of Ahmedabad. It was reported in the newspapers that the police cruelly beat up 90-year old persons, a three-year old child, pregnant women, etc. Consequently several neutral groups such as pleaders, teachers, sarvodaya workers, etc, joined the agitation. They condemned police atrocities.

The riots soon spread to other parts of Gujarat. Modasa, Palanpur, Visnagar, and Mehsana in north Gujarat, Bhavnagar and Savarkundla in Saurashtra and Dohad, Jhalod and Khambhat in central Gujarat were engulfed by violence on the 11th and the 12th. Some other cities and towns such as Surat, Bharuch, Prantij, Palitana, Shihore, Salaya, etc, observed bandhs on the 10th or the 11th in response to the call of either the Jan Sangh or the Congress(O). On the 12th more than 16 towns of Gujarat observed a bandh. By January 12, most of the urban areas of the state were affected by the food riots of Ahmedabad and

Baroda. Thus, the anti-government agitation of the students, political parties and pole organisations of the urban middle class continued simultaneously, and it is difficult to say who led whom. The common thread among them was the deep-rooted discontent of the masses against the government. It may, however, be added that the anti-government agitation of the peasants came to a halt when urban students and the middle class revolted against the price rise.

New Turn: Chiman Hatao

The agitation of the students took a new turn after January 10, in which the masses took an active part. And from education and mess-bill problems, the agitation turned to political problems, demanding the resignation of Chiman Patel. The problem of political corruption was taken up and became a major issue in the agitation.

Purushottam Mavalankar was elected from Ahmedabad to Parliament early in 1973. He was an Independent candidate, supported by the Jan Sangh and the Congress(O), against the ruling Congress. Mavalankar, a professor of political science, was principal of a college. He had many supporters among the students and teachers. After quarrelling with the college management, dominated by the local industrialists, Mavalankar resigned from principalship in 1972. He had also certain grievances against Chiman Patel. It should be added that Mavalankar organised a procession of students and teachers in July 1973 in protest against *brasta rajkaran*, corrupt and rotten politics. At the time when Chiman Patel was trying to become the Chief Minister by ousting Ghanshyam Oza, Mavalankar submitted a memorandum to the Governor, asking him for the imposition of President's rule in Gujarat.

Mavalankar believes that various political parties look after their interests only and neglect the problems of the masses. The people should, he pleaded, elect only Independents who could look after the interests of the people.

Some of the leaders of the Vidyarthi Lagni Samiti were close to Mavalankar. They had worked for him in the elections. Mavalankar, through his son who was also a student leader, was closely watching the developments. He supported the Ahmedabad bandth call on the 10th, and came to Ahmedabad from Madras.

Soon after his return he addressed a meeting of students. The next day, i e, January 11, he again addressed a student meeting. He congratulated the students on their having launched the agitation. He revived his demand of last July, i e, the dissolution of the state Assembly and imposition of President's rule. He said that the government of Gujarat, headed by Chiman Patel, was *brasta* and the Congress party had also lost the confidence of the people. He appealed to the students and teachers to realise that it was their responsibility to see that honest persons got elected in the elections. Students were not responsible only for expressing the feelings and emotions of the people; they were responsible also for reconstruction of society. Therefore, on Mavalankar's advice and at the suggestion of a journalist, the Vidyarthi Lagni Samiti was dissolved, and the Navnirman Yuvak Samiti (NYS) was organised in which, besides student representatives of all colleges, some non-student youths were included. Mavalankar became the President of its advisory committee.

However, Mavalankar's association with the Samiti continued only for four days. On the 15th he resigned as its president, alleging that before deciding their programmes, the students did not consult him.

On the 14th and the 15th, during the Sankranth, a major festival, Gujarat remained more or less calm and people were busy with kite-flying. On the 16th, Jamnagar, Surendranagar, Maliya and Vadhavan in Saurashtra and Bhuj and Anjar in Kutch, and on the 17th Petlad, Nadiad and other towns of central Gujarat responded to the Jan Sangh's call for a bandh. Except for a few stone-throwing incidents, the state remained peaceful. On the 18th, following the Saurashtra bandh call of the Jan Sangh, large-scale looting of shops and stone-throwing incidents took place in Rajkot, Junagadh, Gondal and Veraval. Thus, by January 18 more than a hundred cities and towns of Gujarat observed bandh, responding to the Jan Sangh's call. The Jan Sangh protested against price rise but it did not demand Chimanbhai's resignation. It took a lukewarm attitude after January 20 towards the agitation of the students till the end of the month. Jan Sangh students published handbills, criticising the leaders of the NYS. The party also opposed the call for Gujarat bandh given by the 14th August Samiti and the NYS. And the party alleged that the dissident Congress leaders were responsible for the turmoil in Gujarat.

Meanwhile, the Khedut Samaj which was leading the anti-levy agitation became alarmed by the urban riots, which were demanding Chiman Patel's resignation. Though the rich farmers opposed land legislations, they were not against Chimanbhai Patel. They, therefore, went to the rescue of *khedut putra* (son of a peasant) Chiman Patel. Opposing the demand for the Chief Minister's resignation, Vallabhbhai Patel, a leader of the Khedut Samaj said that the Central government was responsible for corruption and the price rise. The Khedut Samaj withdrew its agitation and declared that farmers would give more paddy in levy than what the government had demanded. In fact, some of its leaders from Saurashtra and south Gujarat moved in villages for the collection of the levy.

There was a lull in the situation between January 14 and 16 in Ahmedabad. Many students attended schools and colleges on the 16th. The leaders of the NYS and teachers feared that the agitation would fizzle out if the students attended classes. In order to revive the agitation, the Samiti gheraoed the Vice-Chancellor, Iswarbhai Patel, and also set ablaze the furniture and the records of the University. The Samiti demanded closure of the University and colleges till the resignation of the government. The police arrested the President and the Secretary of the Samiti. Stone-throwing incidents followed in the city. The GUATA supported the students' agitation against price rise and condemned police atrocities. It also expressed its willingness to join the agitation against hoarders and corrupt politicians.

On the following day, the Chief Minister called a joint meeting of the Vice-Chancellor, college principals and general secretaries of the college unions. The government put forward a proposal for the formation of a committee of general secretaries of the students' union which would negotiate with the government to solve the problems of the students. On the acceptance of the proposal, the government agreed to release the President and Secretary of the NYS. The student leaders agreed to attend schools and colleges from the 19th.

The students, however, rejected the agreement the next day. They said that the agreement was imposed upon them by the government. The Secretary of the Samiti tore off the agreement papers. The leaders announced that there was no question of attending schools and colleges. The agitation would continue till the resignation of the government. Two leaders of the Samiti and some teachers were arrested

by the police under MISA and other important student leaders went underground. Further, the Chief Minister and some of his colleagues also tried, without much success, to win over some student leaders of Ahmedabad and elsewhere. The government also accepted the pending demands of the college teachers. But the teachers and students did not succumb to the government. They declared that they were fighting for the masses and not for themselves.

The agitation accelerated after the police beating of the girls of the H K College on the 21st. School and college girls came out in different cities and towns against the police action. School and college teachers became more active. Leading college professors resigned from the Congress. The GUATA demanded the resignation of the government and of the MLAs and release of arrested leaders. Several teachers said that they would make Chimanbhai a teacher again. Objecting to the statement some teachers said that they would not allow him even to become a teacher because he would corrupt education. Such was the hatred among teachers against Chimanbhai. The teachers' association provided an important organisational channel for spreading the agitation as it had branches in most of the towns in Gujarat. Banners of student-teacher unity were afloat in many places. The GUATA organised fasts, processions, demonstrations, etc, to mobilise the masses against the Chimanbhai government. It also supported a Gujarat bandh call on January 25, given by the 14th August Sramjivi Samiti and the NYS. It may be added that the business community opposed the call for bandh. The business organisations asked the traders to keep their shops open. The Majoor Mahajan also opposed the bandh. However, the government imposed curfew for 24 to 36 hours in as many as 44 cities of Gujarat. That did not calm the agitation. On the contrary, the riots became widespread.

During this period, some incidents were reported of pole-dwellers of Ahmedabad forcing shop-keepers to open shops and sell commodities at the price declared in *Tanakha*, a leaflet published by the NYS and the 14th August Sramjivi Samiti. The business community was alarmed by the incidents. A leading industrialist, Amarital Sheth, appealed to the government to provide protection to the traders. It was reported that Chief Minister Chimanbhai Patel assured Sheth that the government would provide protection to the traders. Soon after that the military took charge of Ahmedabad on January 28. The city remained peaceful for three days. Then began another round of processions, violation of prohibitory orders, large-scale fasting, stone-throwing incidents, looting and arson of public and private property.

By the end of January, besides teachers, authors, poets, doctors, lawyers, sarvodaya workers, women's organisations also joined the agitation. And each of them put forward some programme or other to keep the agitation alive. Members of the middle class supported the actions of the students and others. They thanked the students for voicing their grievances. They did not object to the participation of their children in the agitation. Several parents encouraged their sons and daughters to join fasts or processions. In fact, several thousands of them even during the curfew and despite considerable intimidation and often severe repression by the police, participated in the funeral processions of "martyrs" who had died in police firings. Several of the citizens — mostly young but some older ones too — queued up in the hospitals to donate blood for the injured boys. In Baroda and Ahmedabad, more than 200 middle-aged women of middle class families took out processions to police stations where, demanding the release of the arrested boys of their localities, they told the police in high pitched excitement: "You can kill our boys in as many numbers as you want. Each of us will produce one hundred sons in their places." The mood of defiance was very strong and widespread and generally the people's morale was maintained for some time at a high level.

By the first week of February, the agitation had acquired a highly popular base and could not be ignored by anyone. Hatred of Chiman Patel, who became the symbol of an anti-people government and of corruption, spread like wild-fire. The President of the state Congress and the dissident leaders had already come out against the Chief Minister. Then followed the dramatic resignation of a few ministers, and on the advice of the Centre, Chiman Patel himself resigned as Chief Minister on February 9. The Governor suspended the state Assembly and President's rule was imposed on the same day.

Demand for Dissolution of Assembly

The news of Chiman Patel's resignation set off a wave of jubilation in all cities of the state. While the student leaders and teachers were busy celebrating the victory and trying to restore normalcy, the opposition political parties — the Congress(O) and Jan Sangh — declared that the dissolution of the Assembly was the ultimate goal of the agitation. The Secretary of the GPCC(O) declared that the suspension of the Assembly was a "fraud" on the Constitution to deprive the people of their right to elect new representatives. On February 10, the Executive Committee of the GPCC(O) demanded a fresh poll in the state. It declared that people of Gujarat should observe "dissolution day" on February 17. Sarvodaya workers, Rayishankar Maharaj and Jayaprakash Narayan, gave strong support to the students, and demanded the dissolution of the Assembly. Maharaj appealed to all MLAs to resign from the Assembly, to facilitate its dissolution. In the new elections. he said that he would see that no corrupt person would get elected.

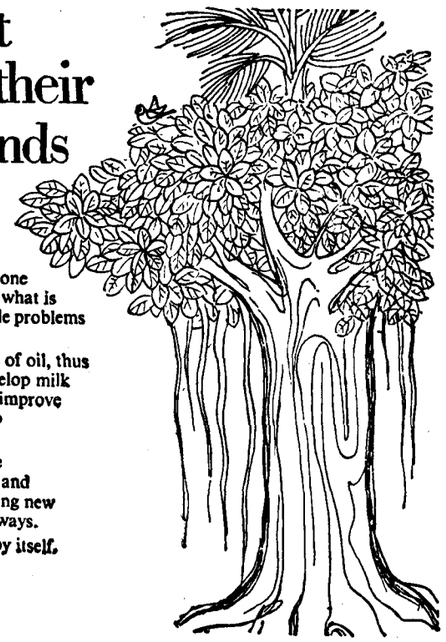
The leftist parties, the CPI and the CPM, though they demanded the dissolution of the Assembly, emphasised the implementation of curbs on price rise and of inquiry into corruption charges. The dissident Congress leaders and the GPCC Chief appealed to all sections of society to restore normalcy.

After a brief period of normalcy, the demand for the dissolution of the Assembly got added momentum with the *en bloc* resignation of 16 Congress(O) MLAs from the state Assembly on February 16. Later, the Congress(O) municipal corporators of Ahmedabad, Surat and Baroda also resigned from the Corporation to support the demand. The Jan Sangh MLAs and corporators followed suit.

The NYS demanded the dissolution of the state Assembly within "ten days". It launched a fresh agitation. The Samiti prepared a charter of demands which included, besides dissolution, judicial inquiry into police firings in the state during the disturances, withdrawal of the cases against the agitators and "universalisation" of higher education. It should be noted that the charter did not include any economic demands for which the Samiti had initially launched the agitation. The teachers, though they re-joined the colleges, supported the demand for the dissolution of the Assembly.

The agitation which was so far confined to urban areas, spread to the countryside soon after Chiman Patel's resignation. The farmers of Saurashtra, central Gujarat and south Gujarat

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supported the demand for the dissolution of the Assembly. Bardoli, Navsari, Morvi, Anand, etc, became active in the agitation. The Gujarat University Syndicate which was known for its pro-Chimanbhai stand, declared an indefinite closure of the University and demanded dissolution of the Assembly. College principals of Saurashtra also jumped into the fray.

Businessmen and factory-owners also supported the agitation. They also observed bandh to support their demand. In consultation with the mill-owners, the Majoor Mahajan asked workers to abtain from work on March 7, in support of the demand for the dissolution of the state Assembly. It is needless to add here that the Majoor Mahajan opposed the call for Gujarat bandh on January 25, in protest against price rise.

Barring this, the factory workers of Gujarat, as a class, by and large, remained indifferent to the agitation either before or after Chiman Patel's resignation. Similarly, the backward classes, except their students, did not support the agitation. In fact, in Ahmedabad sharp clashes took place between them and the students. In some rural areas, it also took the form of conflict between the landed peasantry and landless who supported the MLAs belonging to the Congress. The urban factory workers and landless labourers soon after the agitation was launched felt that it was not really for curbing the price rise but was politically motivated and directed against the Congress which was sympathetic to the poor.

However, teachers, pleaders, doctors, Sarvodaya workers and other sections of the middle class continued their support to the agitation. Several pole organisations came into existence. They intensified the agitation. At a later stage, the pleaders boycotted the courts. White-collar employees of banks and the LIC also joined the upsurge; 3.5 lakh employees of the state, central and panchayat administrations went on a day's casual leave in demand for the dissolution of the Assembly. The students and non-student youth directed their energies at persuading the MLAs to resign. By the second week of March, 95 MLAs had resigned from the Assembly. On March 3, more than 500 students from various parts of the state went to Delhi. There they gheraoed the Congress MPs, met Union ministers, organised processions and demonstrations and launched fasts.

Chiman Patel and his supporters demanded the dissolution of the state Assembly. And Morarji Desai, the leader of Congress(O), went on an indefinite fast on March 12 in support of this demand.

In the meantime, the riots continued in many cities and towns. Attempts were made to loot banks and co-operative societies. Stone-throwing incidents and looting and arson of public and private property continued on a large scale. Attempts were also made to close the borders of the state, so that products of the state did not go out. Violence became widespread. Terror of the agitators prevailed in the state and nobody could oppose them.

At last, on March 16 the state Assembly was dissolved. All-India Radio, in its last news bulletin, announced the Governor's decision. Thousands of people came out on the streets — even in areas under curfew. The night turned into a festival. The joyous crowd threw stones on police and also damaged public property. All political parties, Sarvodaya workers, voluntary associations and students appealed to the people to restore normalcy. Later, schools and colleges reopened and students became busy with their examinations.

Organisation and Leadership

As has been seen, the agitation in Ahmedabad began with the formation of the Vidyarthi Lagni Samiti which later was transformed into the Navnirman Yuvak Samiti (NYS). In Baroda, the Students Action Committee; in Surat, the Yuvak Sangram Samiti; in Rajkot and Bhavnagar the Navnirman Samities came into existence. In other cities, towns and villages Navnirman Samities or Sangram Samities were set up. As the agitation gained momentum, particularly after Chimanbhai Patel's resignation, such samities were set up at pole and even sub-pole levels by local school and college students and youth, in the beginning at the instance of political leaders. In Ahmedabad city alone more than two hundred such samities came into existence during February and March. Further, in some cities rival organisations were also formed by students at the city level. For instance, in Rajkot there were two Navnirman Samities; in Baroda a Yuvak Sangarsha Samiti and in Surat a Navnirman Samiti were also organised. Several other organisations such as the Gujarat Students Circle, Ahmedabad; Study and Struggle Alliance, Baroda; Akhil Bharatiya Vidyarathi Parishad of Jan Sangh and Tarun Santi Sena of Sarvodaya Mandal also took an active part in the agitation. Each of the samities and organisations was independent of the city level Navnirman Yuvak Samiti or Yuvak Sangram Samiti and there was no co-ordination among them. Each samiti or organisation used to announce some programme which kept up the tempo of the agitation.

Space and time do not permit us to examine in detail the composition and character of all these samities. It requires a separate study. We shall deal here with only the major city-level samities of Ahmedabad, Baroda, Surat and Rajkot.

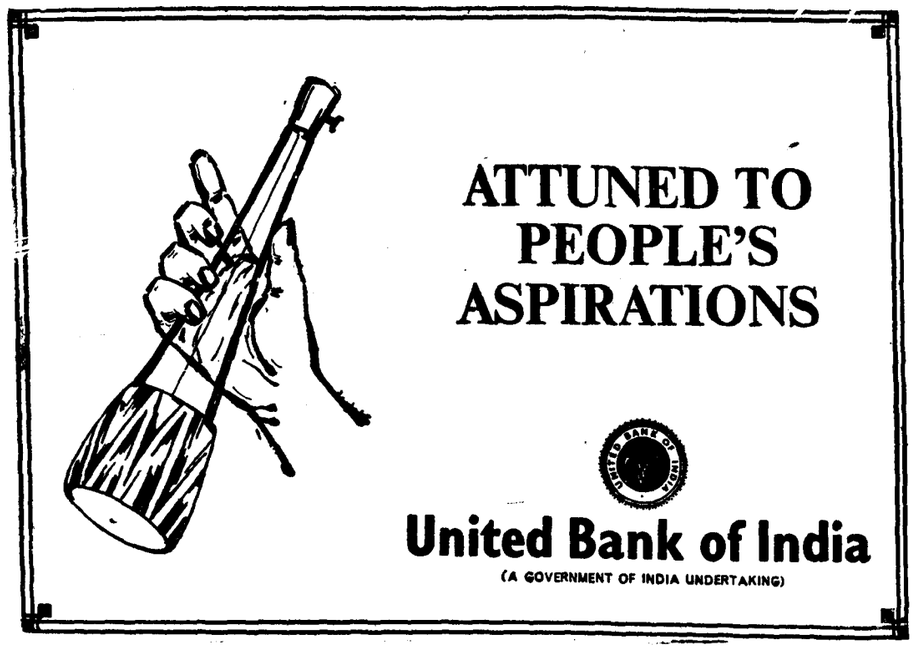
The leaders of the main city-level samities largely came from the upper middle income group. They were the sons of white-collar employees (particularly managers and officials), businessmen or industrialists and of upper castes. In the taluka towns such as Morvi, Padra, Bardoli, Anand, etc, the student leadership was dominated by the sons of the rich farmers and were Patidar by caste. Most of the office-bearers of these organisations were elected representatives of college or university unions.

Broadly, the student leaders can be divided into two categories: the radicals and the rebels. The former was consicously pro-poor and against injustice in society. The latter enjoyed defiance of authority, no matter whether it helped or harmed the rich, poor or anyone, including students themselves. They were inconsistent in their ideas. They used words and phrases borrowed from others without understanding their meaning. They were weak in argument and lacked confidence in across-the-table discussions. Therefore, they were prone to lose their temper quickly and took to direct action.

Like the politicians against whom they revolted, they gave promises which could never be fulfilled. They were demagogues. They often emphasised not only traditional symbols but also traditional values. For instance, a member of the NYS said in a public meeting of two thousand students in Bardoli:

> Indira is not Mataji (mother). She is worse than a witch. In olden days people did not allow even the shadow of a widow to follow on them as this was considered inauspicious. There must be some meaning in that belief. Today, because of this widow there is corruption and rising prices (applause).

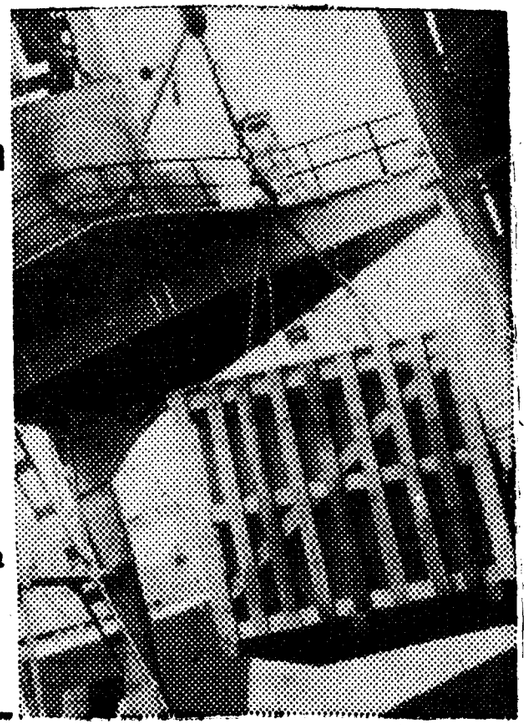
Such leaders had many fans and followers. Their lead was followed by many students. And they were boosted



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by newspapers and politicians.

The radical student leaders, on the other hand, were few in number and did not have many fans and followers. But they were respected by the general student community and others. They had to depend upon popular, rebellious leaders for collecting large crowd and for carring out the programmes. The rebellious leaders also depended on the radicals during negotiations with university authorities and government officials. They drafted memoranda, appeals and press notes. In general, the radical student leaders were against businessmen and industrialists and they emphasised the need for social change and eradication of poverty. Manishi Jani, President of the NYS, highlighted poverty in his verses and speeches. He believed in a classless society which would be brought about with a more equitable distribution of wealth and a better deal for the working class.[21] Another student leader, Bhagirath Shah of the Yuvak Sangram Samiti, Surat, also believed in a classless society. He said that the dissolution of the Assembly marked only an "initial victory" for the student movement against "rising prices and corruption". According to him, for "final victory" students must seek an "alliance with the industrial working class and the rural poor."[22]

Some of these student leaders were attracted by Indira Gandhi's call for Garibi Hatao. Once they were close to the Ruling Congress. Because of their faith in pro-poor policies of Indira Gandhi, as opposed to the Jan Sangh and the Congress(O), these leaders made all attempts during the agitation to encounter the "Indira Hatao" call given by the opposition parties and and the farmers' lobby. They also did not respond to parochial demands like redressal of alleged injustices done to Gujarat.

Barring a few, most of the radical student leaders did not, however, have any concrete programmes to direct the agitation. They wanted to eradicate poverty and control price rise, but they did not know how to do it. They talked about "reconstruction" of society but they could not spell out their vision of the new society for which they were fighting. Kanu Bhavsar, a member of the NYS, said, "we wanted to touch the basic issues of society like poverty and inequality but we do not know what to do for that. We are in confusion and darkness".[23] Many others shared Bhavsari's perplexed situation.

There was no inhibition as regards violence. In fact, the radical as well as the rebellious leaders advocated violence in public. They believed that non-violence was out of date. "Even Gandhi would not have advised non-violence in the present conditions" a member of the Surat Yuvak Sangram Samiti said in a public meeting. During the early period of the agitation, another member of the NYS asked the students to take to "guerilla warfare". One of the top-ranking leaders of the NYS said in a public meeting at Bardoli:

> We do not believe in non-violence or violence; but we should reply to the police in its own language. Our students are revolutionaries, stone in one hand, and iron drainage covers in the other ... Gandhi was talking about non-violence because he was wearing a *'langoti'* while we have terelyne clothes and therefore we cannot follow Gandhi's advice ... There are many government buildings which are still untouched by us. We want to bring them down ...

Apparently, the student leaders were not members of any political party. In Ahmedabad, the main leaders of the NYS were not members of any political party and they made this quite clear from the beginning. They abused not only the Congress but also other political parties as well, from the Jan Sangh to the Communists. But many of the leaders had personal loyalty to some political leader or another. In Baroda, Surat and Rajkot, the student leaders had close links with the Jan Sangh, Congress(O), or one of the factions of the Congress party. Student leaders got help in cash or kind — vehicles, telephones, hotels, etc — from rich political leaders. They also sought advice and guidance from the latter.

The Executive Committee of the NYS, Ahmedabad, and other city level samities in other cities hardly met during the agitation. The main seven or eight leaders used to meet informally at someone's place, sometimes an hour after the scheduled time. They hardly transacted any serious business. They would chit-chat about several things, from sex to politics. Meanwhile, someone would suggest some programme for the next day which others accepted with little or no discussion. Someone, mostly a non-student, a teacher, a journalist, or a political leader would prepare a press note about the programme. More often than not, many other members of the samities came to know about the programmes through press notes. Sometimes, different student leaders gave different programmes and the press found it diffcult to know which of the programmes were genuine.

Needless to say, the programmes were not planned out in any detail. The student leaders were not sure why they preferred a particular programme to others. Most of the programmes had only stunt or symbolic value. Whenever any serious programme, which involved planning and time, such as picketing or distribution of handbills or undertaking signature campaigns, etc, was suggested, the leaders showed little interest in it. It would appear that they were interested in press notes or in seeing their names and photographs in print. If, for some reason, a newspaper failed to publish their press notes with their names, the leaders got annoyed with the press and quarrelled with the reporters. Before their release from jail, these leaders often called photographers and their friends to receive them. Sometimes, in order to enable receptions, to be organised, they would stay longer in jail or spend a few hours outside the city.

During the early phase of the agitation, the student leaders were relatively united. In Ahmedabad, some leaders were in jail and others were underground; so they did not meet each other. But slowly their unity declined and differences developed among them. Often they quarrelled on petty issues, largely the result of misunderstanding, gossip or temperamental behaviour. Besides, in Rajkot, Surat and Baroda, the rivalry between the Congress (O) and Jan Sangh student leaders increased. At the same time, they got united against radical students. After the Gujarat bandh of 25 January, radical students who were few in number were isolated and were also beaten up by the Jan Sangh sympathisers.

Serious differences among the leaders of the NYS came to the surface in the last phase of the agitation. A section of the Samiti accepted the invitation of Gokhale, the Union Law Minister, to visit New Delhi. But some others, mainly supporters of the Jan Sangh, the Congress (O) and Chiman Patel (who, ironically, had after his expulsion from the Congress thrown his support behind the agitation) opposed the Samiti's move. They were interested in continuing the agitation. They therefore tried to prevent the students from going to New Delhi and, after they had managed to go, denounced them openly.

Besides youth and student samities and organisations, school and college teachers' associations, Bar associations, sarvodaya mandals, mahila parishads, journalists' associations, etc, different

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political parties also actively participated in the agitations. They announced their own programmes and tried to boost the morale of the students. Particularly, some teachers and journalists worked as constant friends, guides and philosophers to the students at many places. For instance, when the main student leaders of the NYS were either in jail or underground, they used to issue press notes and appeals in the name of some student leaders and encouraged the second rank leadership of the NYS to sustain the tempo of the agitation. Ravishankar Maharaj and Jayaprakash Narayan, the Sarvodaya leaders, also raised the students' morale by their open support.

Issues and Programmes

The agitation was not carried out by a single organisation or political party. Several hundred groups participated in it. Therefore, it had diffused objectives varying from group to group. As has been observed, the agitation began with the protest against price rise and scarcity of food. Slowly, as the agitation continued, other issues such as resignation of Chimanbhai Patel, dissolution of the state Assembly, misuse of MISA, police atrocities, injustice to Gujarat and Gujaratis, construction of Narmada dam, etc, entered the picture. Certain issues got currency and others did not.

The radical student leaders and teachers of Ahmedabad who started the agitation wanted to highlight and direct the agitation against the economic hardships of masses. They were against hoarders, blackmarketeers and capitalists. They therefore supported the 14th August Sramajivi Samiti. In the handbill, *Tankha* ('Spark'), jointly issued by the 14th August Sramajivi and the Navnirman Yuvak Samiti, they declared:

> People want cheap and good quality foodgrains. People do not want the charity of the *shethiyas* [capitalists] people also do not want dramatic announcements of the ministers; nor do they want a farce in the name of levy ... Price rise can only be fought by strong implementation of the levy, by nationalising the business of edible oil, by jailing blackmarketeers and hoarders.

They demanded eight kgs of good quality foodgrains per individual. They appealed to people to form Roji Roti Samitis in every pole, which should start picketing shops and watching prices and quality of articles. They also appealed for the formation of an alliance of students and workers.

For the time being, in Ahmedabad, Bhavnagar and many other cities, the traders were forced to sell certain commodities at fixed reduced prices. In Surat, radical student leaders made organised attempts to maintain the price line of certain commodities and control traders. The Yuvak Sangram Samiti formed corps of volunteers to supervise the maintenance of price line, prevent adulteration and other irregularities of the traders. With the help of the Collector and District Supply Officer (DSO), the supply of vegetable oil and sugar was entrusted to co-operative societies and fair price shops instead of the traders. A fixed quota of both commodities at reduced prices was supplied to all families of the city on ration cards. They also detected hoarders and wholesalers and forced the police and DSO to raid their godowns. A women's organisation of Surat, Stri Shakti mainly composed of students, mobilised slum dwellers and organised processions demanding construction of latrines, drainage and provision of water facilities instead of the construction of a town-hall. It denounced bureaucratisation. In Baroda, the Study and Struggle Alliance, a student organisation moved in working class areas and tried to establish links with them. The Alliance formed mohalla (area) committees and also organised processions demanding a ration of 12 kg of foodgrains per individual per month. In Vedchhi, Adivasi college students moved in villages, gheraoed landlords and forced them to pay at least Rs 3 per day to their agricultural labourers. However, no permanent organisation or machinery was set up by the radical students to lessen the economic hardship of the masses. Barring these few isolated instances where the local radical students sought the help of the people, the NYS did nothing significant to fulfil its economic demands. It did not even organise symbolic programmes to highlight the economic issues. No Roji Roti Samiti was set up either in Ahmedabad or elsewhere. The call for an alliance of students and workers remained only on paper. In fact, the working class conspicuously remained out of the agitation. The NYS did not have any machinery even to distribute handbills.

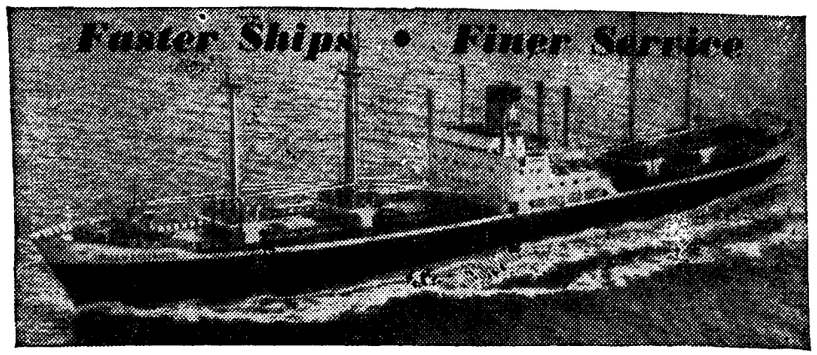
Except for expressing support for the agitation by press notes, the leftist parties the CPI and the CPM, played almost no significant part in the agitation. They did not organise public meetings or processions. They were virtual onlookers. At the most they used to discuss 'kranti', i e, revolution, in the abstract for several hours a day. Or they branded the agitation as 'counter-revolution'. The Sarvodaya workers were concerned with such issues as violence and non-violence, corruption, etc. They organised processions and satyagrahas for establishing peace. But they were more concerned with ousting Chiman Patel and bringing about the dissolution of the Assembly than with economic problems.

The radical teachers of Ahmedabad gave importance to economic problems but were obsessed with removing Chiman Patel from power. They therefore highlighted corruption and put forward programmes which were taken up by rebellious student leaders, Congress (O), Jan Sangh, Vidyarthi Parishad and middle class pole-dwellers. And during the latter part of the agitation, these organisations, political parties and pole samities imposed several stunt programmes on the NYS.

Besides strikes and bandhs, several processions were organised in all cities and towns by the Navnirman or Sangram samities, mainly demanding Chiman Patel's resignation and dissolution of the state Assembly. These included silent processions; processions with empty tins of oil and empty bags, expressing the scarcity of essential commodities; processions depicting Congress leaders and MLAs as animals or stones; and mock funeral processions of Chiman Patel and other Congress leaders (at places, also of Indira Gandhi). Sometimes as many as a hundred effigies were burnt in a day in Ahmedabad. Children and young school boys were very active in these programmes which sometimes led to stone-throwing incidents and rioting.

The medical students of Ahmedabad, Baroda and Surat performed mock surgery on Chiman Patel and other Congress leaders. They declared that they found edible oil, grains, currency notes, etc, from the body of the operated leaders. Girl students of Ahmedabad held a mock court. The "court" charged Chiman Patel and others with acts of corruption and mismanagement.

Gheraoes and dharnas directed at the Congress leaders and MLAs were common. Demonstrators demanded their resignation from the Assembly, the Corporation and the party. The houses of the leaders were stoned. They were presented with bangles, sarees and brassiers, implying that they were effeminate, incapable of raising their voice in support of the masses. They were also given bread prepared from bajra available from the ration shops, to show them what kind of food people were being forced to eat. Bottles of blood to show that the students were ready to shed the last drop of their blood if the government wanted it as price for its resignation were handed over to the Congress leaders. Vehicles of the Congressmen were damaged or burnt. Their houses were set on fire Water-



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6.	COCHIN:	Karuna M. G. Road, Opp: Kavitha Theatre.	(Tel: No. 34277)
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8.	BHUBANESWAR:	No. 17, Janpath, Bapujee Nagar.	(Tel: No. 50944)
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electricity and telephone connections were cut. Some Congress leaders were beaten up and ridiculed by the mobs. One Congress leader was not only stripped nacked, but was forced to walk several miles from village to village. Student mobs painted the face of an MLA black and forced him to ride a donkey. The Speaker of the state Assembly was beaten up in a hospital. Slogan shouting and loud demonstrations lasting several hours took p'ace every day in front of the residences of Congressmen. At appointed times in the evening the now well known "thali-beating" demonstrations took place in the major towns — signifying the death-knell of the Chiman Patel government.

State Transport buses and trucks were hijacked. In Ahmedabad as many as 37 buses were hijacked by the students on a single day. Similar incidents took place in other cities and taluka towns.

Various forms of fasts in public places opposite government offices, houses of MLAs, Corporators' offices and almost in every pole were observed. Signature campaigns demanding dissolution of the Assembly were undertaken. Public opinion polls for MLAs' resignations and dissolution of the Assembly were conducted in some towns.

Most significantly radical students, teachers, political parties, including the Jan Sangh, Congress(O) and Communists, Sarvodaya mandals and some other voluntary organisations put all their efforts to see that the agitation did not turn into communal riots. Wherever a communal colour was sought to be given to the agitation, this was condemned. And, in order to avoid clashes between Hindus and Muslims, the NYS and other organisations did not put forward any programme on Moharrum and Holi. They repeatedly appealed to the people to maintain communal harmony. Collective prayers of Hindus and Muslims were also arranged in which the leaders of the NYS recited Kuran and Gita.

Conclusion

Spiralling prices and scarcity of essential commodities and inadequacy of basic amenities in urban areas provided the breeding ground for the unprecedented upsurge in Gujarat. Discontent against the government was deep and widespread. People in general and the middle class in particular had increasingly felt that they were powerless and were being alienated from the political system. Their fury was against excessive manipulation and corruption in politics, where the common man had no place. Recently acceptance of direct action and violence to solve problems had become widespread among all sections of society. Tensions gradually mounted which turned into rioting and violence.

It was essentially an urban middle class agitation. Being unorganised and diffused in its interests, the middle class could not direct the agitation. It supported and participated in all anti-government protests, whether it helped or harmed the middle class itself. On the one hand it followed the organised interest groups and political parties, and on the other it also sometimes initiated *ad hoc* and impulsive programmes to ventilate their grievances against hawkers, milkmen, bus-drivers, bus conductors, traders, industrialists and politicians. The programmes were locality-based and unorganised. Such programmes, however, kept up the tempo of the agitation. When Khadiya was calm, disturbances started in Maninagar. Similarly, when Ahmedabad was about to return to normalcy, riots started in Baroda, then in Rajkot and so forth. This is the strength and weakness of the agitation led by unorganised groups.

Students, one of the relatively more organised sections of the middle class, spearheaded the agitation. Most of the students who participated in the agitation were rebellious, and enjoyed the thrill of revolt and defiance of authority. During the agitation, they felt a sense of power and self-importance. But they lacked direction, commitment and sense of purpose. Significantly, except perhaps in dress-style and relations with the opposite sex, their values did not differ much from those of their parents and the ruling class. Needless to say, there were a few radical students who worked as the brains of the agitation. In the course of the agitation, they were, however, isolated by the political parties and the rebellious students. Though they had a sense of purpose and direction, they lacked organisation and cadres. And they were also confused about their immediate and future programmes. Under the direction of the radical leaders, the Navnirman and other samities tried in the beginning to link up their problems with those of the larger society. But because of their *ad hoc* approach, lack of organisation and direction they merely became instruments of organised groups. They lost track of their own objectives. The student agitation in Gujarat suggests that students can overthrow a government and yet be unable to become an independent force for political change.

College teachers in Gujarat, who were well organised through their association, had deep-rooted grievances against Chimanbhai Patel. They were determined to oust him as soon as he came in power. They, along with certain intellectuals and political leaders of the opposition parties, directed the students revolt against the Chief Minister. In doing so, despite the fact that some of the leaders of teachers' association were radicals, they undermined the economic programmes of the NYS. They were hardly able to rise above their trade union (GUATA) activities. Later on, after Chiman Patel's resignation the Congress (O), Jan Sangh, Sarvodaya Mandal, businessmen and kulaks undermined the economic programmes of the agitation such as lowering prices and directed the agitation for the political ends — mainly the dissolution of the state Assembly. The radical students and teachers were helpless against the powerful and organised forces on the one hand and the unorganised rebellious students on the other. The latter were led by the organised political parties and interest groups.

The faction-ridden Congress party also did not stand united against the agitation. Some Congress leaders worked as catalysts in accelerating the agitation. The ordinary members of the party were confused.

The middle class agitation in Gujarat began on the issues of price rise and scarcity, but succeeded under the shrewd guidance of organised interest groups and parties in ousting Chimanbhai Patel and then dissolving the state Assembly. As the dust settles down, people are feeling that the basic issues for which they had revolted for two months have remained unsolved. In fact, the price rise and scarcity have worsened. It is anybody's guess when the tensions, which persist, will again erupt into violence.

Notes

[The author is thankful to I P Desai and Rajni Kothari for their comments on an earlier draft of this paper].

1 Census of India 1971, Gujarat Town Directory, Part VIA Delhi, the Manager of Publications, 1972.
2 187 persons selected at random from 19 blocks were interviewed with a structured questionnaire. Besides, 100 persons were also interviewed in depth on talking points.
3 *Gujarat Samachar* (Ahmedabad), November 21, 1973.
4 *Gujarat Samachar*, December 18, 1973.
5 *Times of India* (Ahmedabad), November 13 and 15, 1973.
6 *Gujarat Mitra* (Surat), November 25, 1973.
7 *Ibid.*

8 *Gujarat Samachar*, November 20, 1973.

9 Pramod Mehta, "Opposition Adopts Double Standards", *Indian Express*, (Ahmedabad), January 9, 1974.

10 Ghanshyam Shah, Communal Riots in Gujarat, *Economic And Political Weekly*, Annual Number, Vol V, Nos 3, 4 and 5, January 1970.

11 "Mobilisation of Landless Labourers: Halpatis of South Gujarat", *Economic And Political Weekly*, Vol IX, No 12, March 23, 1974.

12 Ghanshyam Shah, "Anatomy of Urban Riots: Ahmedabad 1973", *Economic And Political Weekly*, Vol IX, Nos 6, 7 and 8, Annual Number, February 1974.

13 Centre for Regional Development Studies, Surat and National Service Scheme, K P College of Commerce, Surat, carried out a survey of undergraduate students of Arts and Commerce. We interviewed 224 students in November-December 1973.

14 The findings are based on the above study. See also K D Gangrade, "Inter-generational Difference: A Study in the Generation Gap", (mimeographed; Delhi School of Social Work, 1974) and B V Shah, "Social Change And College Students of Gujarat", Baroda, the M S University of Baroada, 1964.

15 K C Pant, "Violence In a Period of Social Change", *Young India* Vol 3, Nos 29 and 30, 1973.

16 Ghanshyam Shah, "*Sarvocha Neta*: *Gujarat Congress*", *Vishvamanav* (Gujarati), May 1968.

17 Ghanshyam Shah, "Caste Association and Political Process in Gujarat" (in press).

18 Ghanshyam Shah, "Anatomy of Urban Riots: Ahmedabad 1973", *Economic and Political Weekly*, Vol IX Nos 6, 7 and 8, Annual Number, February 1974.

19 *Gujarat Samachar*, December 23, 1973.

20 H L Doshi, "Traditional Neighbourhood in a Modern City", Delhi, Abhinav Publishers, 1974.

21 *Times Weekly*, Vol 4 No 34, March 24, 1974.

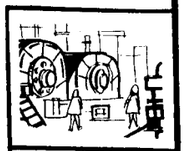
22 *The Free Press Bulletin*, April 16, 1974.

23 Interview.

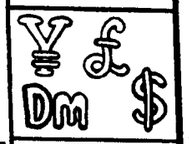
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	State	Amount of Loan (In crores of Rs.)
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2.	**Assam**	**7.75**
3.	**Bihar**	**14.00**
4.	**Gujarat**	**16.25**
5.	**Haryana**	**11.25**
6.	**Jammu & Kashmir**	**2.25**
7.	**Karnataka**	**16.25**
8.	**Kerala**	**8.25**
9.	**Madhya Pradesh**	**9.50**
10.	**Maharashtra**	**16.25**
11.	**Orissa**	**13.00**
12.	**Punjab**	**12.00**
13.	**Rajasthan**	**16.25**
14.	**Tamil Nadu**	**16.25**
15.	**Uttar Pradesh**	**16.25**
16.	**West Bengal**	**13.50**

All the above loans will be issued at Rs. 99.00 per cent and will open for subscriptions on Tuesday, 27th August 1974 and close on Saturday, 31st August 1974 or earlier without notice as soon as subscriptions approximate to the amount of each issue. All the State Governments reserve their right to retain subscriptions upto ten per cent in excess of the notified amounts.

The loans will be redeemable at par after 10 years i.e. on 27th August 1984 and interest will be paid half-yearly on 27th February and 27th August each year. Interest in respect of all loans will be liable to tax under the Income-tax Act 1961. Interest on Government securities along with income in the form of interest or dividends on other approved investments will be exempt from Income-tax subject to a limit of Rs. 3,000/- per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961.

The value of 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, 1957 will also be exempt from the Wealth Tax upto Rs. 1,50,000/-.

Subscriptions may be in the form of CASH/CHEQUE.

Securities of the following loans will also be accepted AT PAR for conversion into the new loans of the respective State Governments:—

Name of the loan tendered for conversion	*Name of the new loan issuable*
1. 4½% Andhra Pradesh State Development Loan 1974	6% Andhra Pradesh State Development Loan 1984
2. 4½% Assam Loan 1974	6% Assam Loan 1984
3. 4½% Bihar State Development Loan 1974	6% Bihar State Development Loan 1984
4. 4½% Gujarat State Development Loan 1974	6% Gujarat State Development Loan 1984
5. 4½% Kerala State Development Loan 1974	6% Kerala State Development Loan 1984
6. 4½% Madhya Pradesh State Development Loan 1974	6% Madhya Pradesh State Development Loan 1984
7. 4½% Madras Loan 1974	6% Tamil Nadu Loan 1984
8. 4½% Maharashtra State Development Loan 1974	6% Maharashtra State Development Loan 1984
9. 4½% Mysore State Development Loan 1974	6% Karnataka State Development Loan 1984
10. 4½% Orissa Government Loan 1974	6% Orissa Government Loan 1984
11. 4½% Punjab Loan 1974	6% Punjab Loan 1984
12. 4½% Rajasthan State Development Loan 1974	6% Rajasthan State Development Loan 1984
13. 4½% Uttar Pradesh State Development Loan 1974	6% Uttar Pradesh State Development Loan 1984
14. 4½% West Bengal Loan 1974	6% West Bengal Loan 1984

If the cash value of the securities tendered for conversion is not an exact multiple of the issue price per cent of the new loan the tenderer will receive in cash at the time of issue of the new securities the amount by which the value of the securities tendered exceeds the nearest lower multiple of the issue price. Interest on the securities accepted for conversion will be paid at the rate of 4½% per annum upto and inclusive of 26th August 1974.

Applications *for all the loans* will be received at the offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna and the State Bank of Bikaner and Jaipur at Jaipur.

Continued Overleaf

Applications will also be received *at other places within the* respective States as follows:

i) Branches of the Subsidiary Banks of the State Bank of India conducting Government treasury work except at Hyderabad;

ii) Branches of the State Bank of India at places where there is no branch of its Subsidiary Banks conducting Government treasury work; and

iii) In the case of Jammu & Kashmir loan, applications will be received at branches of the Jammu & Kashmir Bank within the State of Jammu and Kashmir and branches of the State Bank of India where there is no branch of Jammu & Kashmir Bank.

Application for Kerala State Development Loan will also be received at Treasuries and Sub-treasuries in the State of Kerala at places where there is no branch of the State Bank of India or its subsidiaries conducting Government treasury work. Applications for Uttar Pradesh State Loan will also be received at the District Treasury, Chamoli.

Applications for Punjab and Haryana State Government Loans will also be received at the State Bank of India, Chandigarh.

Copies of the Notifications and Application Forms may be obtained from any of the Receiving Offices mentioned above.

In the event of over-subscription to the loan applied for, applicants tendering applications at the offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna will be given the option of transferring their cash re- funds to any other State Government loan which may still be open for subscription. To avail themselves of this facility, applicants should complete the "Special Option Form", copies of which can be obtained at any of the offices of the Reserve Bank of India mentioned above and tender the form along with their applications.



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Mukand Iron and Steel Works Limited

Statement of the Chairman, Shri Viren J Shah

THE following are excerpts from the Statement of Shri Viren J Shah, Chairman of Mukand Iron and Steel Works Ltd, to the Shareholders while presenting the Balance Sheet for the year 1973-74:

Power — A Basic Index of Development

One of the basic indices of the economic development of a country is the quantum of power that is available to industry and agriculture. Production depends on power. A shortfall in the supply of power is, therefore, certain to lead to all round shortfalls in production — in agriculture as well as in every field of industry. The country has been in the grip of an acute power shortage and the economy has been reeling under the impact of the shortage. Our plans had estimated the likely growth of our requirements of electricity and fixed targets for every Plan. But, we have fallen short of targets in every Plan. The percentage of the shortfalls has increased from 15.4 in the First Plan to 50 in the Fourth Plan. We have achieved a capacity of 18.87 MKW as against a target of 28.83 MKW. The Fifth Plan itself has identified the reasons for this shortfall in installation as lack of adequate project management and monitoring; shortages of key materials, like steel, cement, electrodes and explosives; delays in civil works and the ordering and supplying of plant and equipment; and disturbed industrial relations. None of these are unforeseen natural calamities. They are all factors that man could have and should have controlled, and the shortfall is, therefore, primarily the result of failures in management.

Poor Record of SEBs

The State Electricity Boards that bear the primary responsibility for generation and supply of electricity have functioned as Government departments and not as autonomous commercial enterprises that are accountable to consumers and responsive to their needs. Ideological predilections, hostility to private licensees, delays in decision making — in approving projects and applications for import licences for plant and equipment, have riddled the functioning of the Boards. Operational efficiency has been at an inordinately low ebb. The Thermal Stations of the State Electricity Boards generate only 3000 KWH for every KW of installed capacity, whereas the comparable figure is 4700 KWH in the US, 5600 KWH in Japan and even in India 6700 KWH in the Tata Power House at Trombay.

Losses in Transmission and Distribution

The story is the same when we look at the losses in transmission and distribution. While the average in industrially advanced countries is between 5.7 and 12.5 per cent, in India the average is 17 per cent, and in some States the loss is as high as 29.3 per cent. The loss of 1 per cent in distribution and transmission is equivalent to the loss of Rs 50 million per annum.

Erratic Supply

Another continuing source of worry has been the erratic and unreliable quality of power supply and the damage that fluctuations in frequencies cause to machinery. Even the Power Mission from the UK had to point out to "inadequate teaming of operational and maintenance staff" and "manning levels which were 10 times higher than in equivalent plants in Europe."

Blend of Sources

Though power is generated from Thermal, Hydel and Nuclear sources in our country, Thermal Power accounts for more than 50 per cent of the power we generate. 63 million tonnes of the non-coking coal we have is concentrated in a few locations. The Railways are not able to cope with the task of transporting them to long distances. This leads to shortfalls and breakdowns.

Under Utilisation of Hydel Resources

The abundance of hydro sources in India, their wide distribution in the States and low cost of generation indicate that in any judicious blend of sources that can sustain a sound power system, hydro power will have to carry the base load, leaving it to Thermal and Nuclear power to carry the peak loads. But we have harnessed only 17 per cent of these sources. Many river valley projects like the Narmada project have become the victims of indecision and political wranglings, resulting in colossal loss to the nation. The delay on the Narmada alone has been estimated to have cost the nation nearly Rs 9,500 million in the last 26 years. Even States which have abundant hydro sources have been the victims of acute shortage of power. How could they have found themselves in this predicament but for inadequate attention to hydro sources, and an injudicious blend of sources and administrative mismanagement and inefficiency?

Need for Tapping Nuclear Energy

An estimate made in 1960 points out that 35 per cent of the country and 30 per cent of the population are outside the economic range of thermal sources. Some of these areas have not been blessed with adequate hydro resources either. It will obviously be more economic and efficient to go in for nuclear power in such areas like Kutch, Saurashtra, Rajasthan, Haryana, Western UP, Eastern Maharashtra and Tamil Nadu. There is no doubt that a rational and balanced energy programme for the country will, therefore, have to assign an increasing load to our nuclear sources.

Effect of Power Shortage — Losses

I would have liked to present a quantified estimate of the losses that the power shortage has caused in every sector in every industry and consequently on every other industry that is a feeder or a dependent. But many of the enterprises and even the Government have found it difficult to obtain statistics on the separate effect of each of the causes of the current crisis in production. Yet, the Finance Ministry's economic survey acknowledges that "the most important cause of slow growth has been the widespread shortage of power."

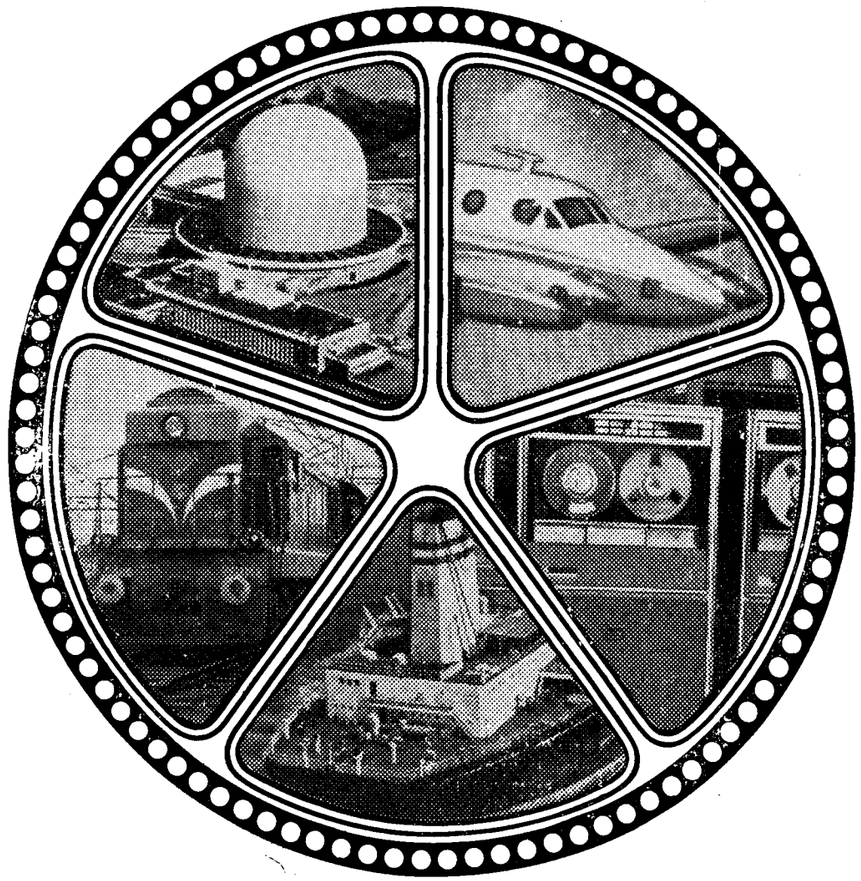
The survey and statistics cited in the Reports of the different concerned Ministries and industrial associations reveal the extent and intensity of the loss in many key industries.

Steel

Official sources have estimated that India lost 414,000 tonnes of saleable steel in 1973-74 as a direct result of power shortage, excluding the loss due to non-operation of electric arc furnaces; that the power supply to the Durgapur Plant fluctuated between 28 and 38 MVA as against a minimum requirement of 52 MVA, to the Alloy Steel Plant between 29 and 38 MVA as

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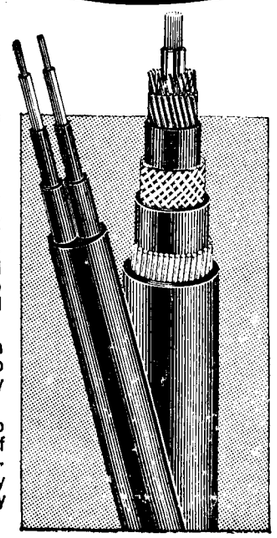


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against a requirement of 45 MVA, to TISCO about 55 MVA as against a requirement of 90 MVA; that the actual performance of steel arc furnace industry was only 38.2 per cent of its potential performance since the industry received only about 35 per cent of the power it required.

Coal

Frequent interruptions and breakdown of power supply, affected the production of coal. Short supply of coal not only led to shortfalls in the generation of power but also, in turn, affected production in agriculture, industry and mining including the mining of coal itself.

Engineering Industry

The Association of Indian Engineering Industry has estimated that the loss of production in the engineering industry in West Bengal alone amounted to Rs 570 million in the first quarter of 1973.

Fertilisers

Fertilisers are crucial for our attempts to increase agricultural production and fight the chronic food shortage. Yet the total loss in the production of nitrogenous fertilisers for which the "power shortage was largely responsible" has been estimated as the equivalent of 90 million dollars worth of imports.

Aluminium

Aluminium is a key industry. Aluminium cables and conductors are needed in the generation and supply of power. They are also among our export earners. But as against the installed capacity of 195,000 tonnes per annum on account of power cuts imposed by the different State Governments production was around 150,000 tonnes. The power cuts to the largest manufacturer of aluminium in the country, *viz*, Hindalco, started at 25 per cent, was increased to 40 per cent, then to 50 per cent and since January 1974 the supply was completely cut off in spite of an agreement which binds the UPSEB. The Madras Aluminium Plant had to close down completely for 5 months and it is subject to a 30 per cent power cut now. The Indian Aluminium Plant at Belgaum is reported to be under a 60 per cent power cut since June this year. Thus, all plants are being forced to shut down or reconcile themselves to the progressive conversion of most of their installed capacity into idle capacity. Yet one hears talk of importing aluminium to meet the shortfalls in indigenous production.

Cement

Cement has fared no better. It has suffered cuts ranging from 20 to 75 per cent and the Cement Manufacturers Association has estimated the loss of production due to power shortage as 1.8 million tonnes for the first two quarters of 1973.

Cotton

Cotton and jute are the highest and second highest export earners, accounting respectively for 13.1 per cent and 12.6 per cent of our total export earnings. According to the Indian Cotton Mills Federation, the drop in the production caused by power cuts during February to June 1973 was 37 million kilograms of yarn and 72 million metres of cloth.

Jute

In the case of jute, the loss in production for the single month of April 1974 is estimated at Rs 150 million. The total estimated loss was Rs 252 million in June 1973 and Rs 181 million in January to March 1974. At a time when the oil crisis has compelled many countries that had taken to synthetic packing materials to turn back to jute, we find that the power shortage in the country has robbed both the grower and the manufacturer of the opportunity to benefit from this favourable swing in the international market.

Social Impact

The shortage of power has even affected hospitals, particularly the surgical wards and the cardiac units. The number of workers who have either been retrenched or laid off as a result of power shortage will run into many lakhs in the country.

Remedial Measures — Short Term

The Government does not hold out any promise of an early improvement in the position. In fact, all estimates warn of sizeable shortfalls and recurring shortages. It has, therefore, become imperative to draw attention to the paramount need for immediate remedial measures, as well as the long term plans and administrative re-organisation necessary to see that industry and agriculture are not paralysed or hobbled by the shortage of power.

(1) The operational efficiency of the existing plants and transmission and distribution systems must be improved. If all power plants in the country are run as efficiently as the Hindalco and Trombay power plants, at around 90 per cent capacity, and transmission losses are brought down from 17 per cent to around 5.7 per cent, we would have nearly neutralised the current power shortage. Adequate in-plant training must be provided to staff and the services of qualified consulting engineers should be used to locate defects and improve operational efficiency.

(2) Construction of intra-state and inter-state transmission lines and load dispatch facilities should be hastened to enable each system to benefit from the surpluses that may originate in neighbouring systems.

(3) Each Thermal Station should be linked with its sources of coal, both to ensure that the kind of coal suitable to it is available and that boilers are designed on the basis of the quality of coal. The Government should examine the suggestion that captive mines should be attached to Thermal Stations.

(4) All captive power plants and generating equipment available in the private sector should be immediately pressed into service.

(5) Power projects and plants that generate and transmit power should be considered crucial to the economy and strikes should be banned in them.

(6) The SEBs should strictly adhere to the guidelines that the Ministry of Irrigation and Power has formulated on priorities to be accorded during periods of shortage.

Long Term Measures

(1) Projects should be made more realistic. The recent experience of several hydel projects makes one wonder whether we have been unrealistic or slipshod in assessing the potentials of some of the reservoirs or have allowed political pressures to prevail over the estimates of engineers. We need a thorough and systematic reappraisal of the real problem of all our hydel projects.

(2) Our enthusiasm for instant self-sufficiency in heavy plant and equipment should not be allowed to delay projects or affect maintenance and the quality of equipment. Will it not be wiser to permit the import of limited quantities of crucial goods that are in short supply, including spares, even if we have to earmark imports against the requirements of specific projects?

(3) Increasing the line capacity of railways especially on "bottleneck stretches" will do more to reduce difficulties in the transport of coal than transport through sea.

(4) All industries or services that require power in bulk like aluminium, iron and steel, coal mines, railways, fertilisers, etc, should be encouraged to generate their own power through captive power plants.

(5) The possibility and economy of pumped storage with reversible pump turbines should be examined to increase the installed capacity of hydro stations.

(6) High capacity turbo sets must either be manufactured by the BHEL Plant at Hardwar or we must decide to import them.

(7) An extensive programme of standardisation of the design of equipment should be undertaken to speed up installation, facilitate maintenance and reduce inventories.

(8) The rural electrification programme should be revised. Nobody will grudge the spread of electricity or modern amenities to villages or the use of electricity for energising pumps. But our villages are far flung, and the cost of long transmission and distribution lines and diverting scarce power from revenue yielding higher production and quicker economic growth such as fertilisers, steel, etc, should be commensurate with the economic and social benefits that it is expected to yield.

Restructuring Power Administration

The Government's proposals to restructure the administrative machinery for power have not come a day too soon. The revision of the 1948 Electricity Act is long overdue and it should be expedited. The Fifth Plan aims at the installation of an additional capacity of about 16.55 MKW. One has to describe this as a herculean task when one recalls that it took five years of the Fourth Plan to create an additional capacity of 4.58 MKW! It is too much to expect the SEBs to carry this administrative, technical and financial burden without radical reorganisation.

Responsibilities of Ministries

Today the responsibility for the decision making at the policy level is almost fragmented among different Ministries — Irrigation and Power, Industrial Development, Finance and Commerce and the Planning Commission. At the executive level it is divided among the SEBs, Ministries of Steel and Mines, Heavy Industries, Petroleum, Transport and Railways.

Locate and Remove Constraints

The Ministers and the Government repeatedly declare that "we would have to live with power shortage for some time to come." But it will not allow private industry to set up its own plants. How long should the economy of the country then continue to suffer for the doctrinairism of the Government? The least that can be done if we are serious about attaining our target is to activate dormant captive power plants, and to identify every constraint that has obstructed or delayed the installation of new capacity, and take immediate steps to remove them.

Power: Largest Single State Investment

At the end of the Fourth Plan, our total investment in power plants reached Rs 49,600 million. The Fifth Plan proposes to invest an additional Rs 61,900 million, thus making a total of Rs 111,500 million. Power thus has become the largest industry in India far *outstripping* even the Railways. It is then imperative that governments, both at the Centre and in the States, ensure that the administrative and technical personnel that manage this concentration of national investment in one single industry is of the highest calibre available in the country.

By now we have had about a quarter century of closely directed planning. The least that one should expect from it is a stable infrastructure on which we can build the edifice of our economic strength and raise the levels of living of the masses of our people. However, every adverse blast that has blown across the country has found our infrastructure quaking and creaking. Where then, I would like to ask, is the "basic strength of the economy" which our Ministers boast about day in and day out?

Viren J Shah

August 20, 1974

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Notice on India

IN terms of Bangladesh's domestic politics, Tajuddin Ahmed had quite some months ago already become a nonentity. His dismissal by itself is most unlikely to release any new forces there. The National Awami Party led by Muzaffar Ahmed and the Communist Party of Bangladesh might, of course, now feel very much more exposed and vulnerable; the pro-American lobby may be happy to have been presented with this post-Ramzan gift; and the Soviet Union may begin to worry, much more than in the recent past, about the recent drift of events in a country where its investments in the past three years are second only to those of India. But all these would be only overt manifestations of a trend which has been there for at least a year. Tajuddin Ahmed, shorn of effective power ever since Sheikh Mujibur Rahman's triumphal return to Dacca in January 1972, had continued to exist in the Bangladesh cabinet more as a symbol of the political reality that the regime was not quite prepared yet to demolish the precarious bridges which were built in the uncertain days of 1971-72.

His removal now is thus in the nature of a notice being served; the world at large is being told that the Bangladesh authorities are not terribly interested in the bridges established in 1971-72; that, in fact, those bridges have become so major a liability for the regime that it would be most unwise to postpone the task of their demolition. Through dismissing Tajuddin Ahmed, the Sheikh is therefore speaking to India. In the climate currently prevailing in Bangladesh, there is great need for sacrificial goats. In a minor key, this point was emphasised on the occasion of the abrupt transfer of Abdus Samad from the Foreign Ministry to a relatively minor portfolio in 1972; Tajuddin Ahmed's dismissal underscores the point.

At this stage, it is altogether futile to speculate whether this worsening of Indo-Bangladesh relations could have been avoided, or whether the developing rupture between that country and India is a historical inevitability. It may well be that, if, in the initial period, instead of a swashbuckler like D P Dhar being principal emissary from this side, a quieter man had been assigned the task, the fouling up of relations might have been a slower process. D P Dhar's style, it is now well known, irritated Dacca no end. Tajuddin Ahmed is in a sense paying the price for the fact that he got along so famously with the Deputy Chairman of the Indian Planning Commission.

Obviously, the situation had arrived at a point where Sheikh Mujibur Rahman could no longer ignore the development of anti-Indian sentiment. He could have ignored the demand for Tajuddin Ahmed's head only at his own peril. The latter was obliging enough by talking out of turn about the need of an all-party committee to tackle the problems of food and famine, and by referring, howsoever obliquely, to the plight of political prisoners. After such seeming insubordination, it became all quite simple to arrange his excommunication.

In its existing mood, the Soviet Union could not perhaps care less as to the nature of the internal regime in Bangladesh — so long as China is kept out of the arena. If the American presence becomes overt, that too may not perturb Moscow unduly. For, in the current diplomacy in favour with the two super powers, spheres of influence are henceforth to be matched by spheres of counter-influence, and which weak nation came under which super power's sphere of operation could become a minutiae.

India, however, has greater reason to worry. One major consequence likely to follow Tajuddin Ahmed's exit is a revival of interest in Bangladesh for having a Pan-Asian Islamic concordat, consisting of Indonesia, Malaysia and Bangladesh. This would also be something which the Americans would find easy to handle. India's isolation would then be once more nakedly revealed. Having acted as the major instrumentality in destroying the regime in Pakistan, we need not have acted in a manner as would prevent the simultaneous emergence of two hostile regimes along the border. But this is precisely what has been precipitated.

The other danger to guard against is the temptation to use Bangladesh as an alibi for all kinds of domestic failures. Indira Gandhi has now gone to the length of claiming that the erosion of 9 million tonnes of buffer stocks, which the country had around 1971, was entirely because of the war over Bangladesh! This is gross terminological inexactitude. No doubt, it will now be extensively used by India-baiters in Bangladesh to establish the fact of Indian cupidity.

Food

The Unknown Calculus

THE Government continues to maintain its taciturnity in the matter of food imports. The Managing Director of the International Monetary Fund came and went, Henry Kissinger too arrived and departed. What specific issues were discussed with the IMF chief remain unknown. Whether there was enough co-ordination between the Prime Minister's secretariat, the Ministry of External Affairs, and the Ministry of Finance is equally unclear. India has just been permitted, by the Fund, a special oil facility of 200 million dollars. But this country, in the course of the past nine or ten months, has also already drawn on the so-called 'gold-tranche' of the Fund in addition to the first 'normal' tranches. Drawal from the subsequent tranches will involve much more minute scrutiny by the Fund which may not be averse to making implementation of reforms recommended by it in the domestic sphere a pre-condition to further accommodation. This, in its turn, will raise ticklish issues, with far-reaching political implications. How far New Delhi would be prepared to humour the IMF will thus depend on the kind of options which are open to the authorities. As things are developing, there may not be very many left in the field very soon.

Partly, what the Fund's Managing Director has been told will have depended upon the arrangements which Henry Kissinger has proposed for operating the new Indo-American economic commission — which will depend essentially upon the sustenance received from the Americans. Unlike in Bangladesh and Pakistan, where Kissinger straightaway referred to the American decision to transfer an extra 100,000 tonnes of foodgrains to each country, the joint communique issued in New Delhi following his visit there contains no specific reference to the question of food supplies. This could be because the US administration is not in a position to hand over at short notice supplies that can match the magnitude of India's demands.

But the fact is that the public is no wiser today about the calculus of food supply and distribution in the coming year, or about the more unsavoury details of the country's balance of payments. True, the drive against smugglers, if seriously pursued, could conceivably improve the balance of payments by at least Rs 100 crores in a twelve-month period. If the artificial boom in sugar prices continues in the world market, it is indeed possible that, in the ensuing calendar year, the country might make as much as Rs 300 crores from the export of sugar. But these snippets by themselves are hardly enlightening about the overall position of the balance of payments. The total import requirements on account of oil and fertilisers can again be roughly put together. But a failure to tot up the food bill leaves a glaring gap in the balance of payments calculations.

Jagjivan Ram is making radical-sounding speeches, warning hoarders and traders of dire consequences in case they do not disgorge the stocks in adequate quantities, but the big question mark continues to hang over the magnitudes of market availability, procurement, and import of foodgrains during the next one year. The current uncertainty, largely brought about by governmental reluctance to share with the public the details of the food distribution programme, is therefore of little help. Till as long as the uncertainty continues, the speculators, who go by market sentiments, will continue to bid up prices — and hence create even more difficult conditions for the poor. The talk of additional imports will by itself have a disinflationary influence here; and the larger the quantum mentioned, the greater ought to be the impact against inflation. So the effect of such talk of massive imports on the American grain market is not to be discouraged. But, irrespective of whether the imports are finally arranged under some sort of 'aid' programme or through the payment of hard cash, it should be possible to persuade the American government to agree to the concept of a 'ceiling price', above which the contracted price would not be permitted to rise for the purpose of official transactions. In any event, there ought to be an end to the present process of running the government so utterly out of public view.

Political Prisoners

India's Vote on Chile

IN one of its more blatantly cynical acts, India abstained in the vote on a resolution in the UN General Assembly on this Wednesday directing the military junta in Chile to release political prisoners and to grant safe conduct to all those who wanted to leave the country. The resolution, which was adopted by 90 votes to 8, also requested to President of the General Assembly and the UN Secretary-General to take appropriate action to re-establish human rights in Chile.

Even conservative opinion the world over has been appalled by the brutality of the repression practised by the military regime in Chile. A fact-finding mission sent to Chile by the International Commission of Jurists had found that the methods of torture of political prisoners included "electric shocks, blows, beatings, burning with acid or cigarettes, prolonged standing, prolonged hooding and isolation in solitary confinement, extraction of nails, crushing of testicles, sexual assaults, immersion in water, hanging, simulated executions, insults, threats and compelling attendance at the torture of others". In another report, Amnesty International has disclosed that even little children have been tortured to extract confessions out of their parents. In one case, a nine-year old girl and a four-year old boy were tortured to death in front of their parents.

There was a time, not so long ago, when the Prime Minister of India publicly shed crocodile tears over the murder of President Allende and the brutal overthrow of his government. She was not above even suggesting that her supposedly socialist policies had exposed her government to the similar danger of falling a victim to unnamed "vested interests", national and international. All this led the American ambassador in India to send his now-famous confidential cable to his Secretary of State in which he warned that the recent revelations about the CIA's role in Chile had confirmed the Indian Prime Minister's "worst suspicions and genuine fears" about Washington's policies towards her government. Said ambassador Moynihan: "Her concern is whether the United States accepts the Indian regime. She is not sure but that we would be content to see others like her overthrown."

It is difficult to say whether ambassador Moynihan really believed what he was telling his boss in Washington or whether he was simply doing a hard-sell job for the government of India. In any case, after Henry Kissinger's recent visit there can be no doubt that Indira Gandhi's "worst suspicions and genuine fears" have been completely dispelled. Simultaneously, the tragedy of Allende has apparently been erased post-haste from the Prime Minister's memory and so far as the Indian government is concerned, the obscenities of the military junta in Chile have ceased to exist. How else can one explain India's abstention in the vote on the General Assembly resolution?

Of course, there is another explanation for the vote, and one which cuts even closer to the bone. As it happens, Amnesty International has produced a report on political prisoners in India itself, with carefully documented evidence on torture, indefinite detention without trial and sundry other enormities which are supposed to be the preserve of fascist regimes such as the present one in Chile. Indeed, it is not at all far-fetched that in the not-too-distant future the UN General Assembly might have before it a resolution calling upon the Government of India to release political prisoners and requesting the UN Secretary-General to take appropriate action to re-establish human rights in India. Faced with such a prospect, how could the government of India have voted differently on the resolution on Chile?

Oil Revenues

Behind the Recycling Debate

THE discussion on recycling of surplus oil funds of the oil-exporting countries has generated more heat than light so far. The oil-exporting countries themselves appear to be content to sit tight over the huge sums that are flowing to them. During the current year so far these countries are said to have accumulated surplus funds to the tune of nearly $ 30-35 billion. The actual surpluses are likely to be even larger, because of the lags in payments by the oil firms. Between end-1973 and end-September 1974, the official reserves of the major oil-exporting countries increased by $ 24 billion. Sizeable sums of money have already moved into purchase of real estate and shares of companies in the developed Western countries though some of the Arab oil-producers are hesitantly beginning to pump a part of the surpluses they are accumulating back to the UK and the US, in particular, in the form of loans, investments in government securities and bank deposits.

The oil-exporters do not appear to be particularly worried by the warnings that there is bound to be a major global recession if the oil-exporters do not cooperate with the oil-consuming nations in recycling their surplus funds. This is not altogether surprising since these warnings have come mainly from politicians and economists from the West. Many Arab policy-makers are not only suspicious of the various recycling plans but some of them have shown concealed hostility to them. The oil-exporters' revenues have increased phenomenally only in the last few months and they are yet to mentally adjust themselves to the situation of surfeit of funds. It is natural, therefore, that they should take some time to prepare their own plans for employing them gainfully. Besides, for most of the oil-exporters their oil reserves are not inexhaustible. So they cannot afford to squander away their oil revenues or employ them in such a way as to jeopardise their safety. Their distrust of the grandiose plans of recycling their surplus funds for the benefit of those who require these funds for bridging their balance of payments deficits is, therefore, understandable. Besides, many Arab policy-makers believe that the West's economic troubles began long before the rise in oil prices and that the West is looking for a scapegoat in the higher oil prices.

It is interesting to take a look at some of the projections, circulating in the West, about the extent of surplus oil funds. According to World Bank President McNamara, the increase in foreign exchange reserves and external investments of the oil exporting countries, excluding Indonisia and Nigeria, would be from $ 24 billion at the end of 1974 to $ 624 billion at the end of 1980. He projected the foreign investment income of these countries to increase from $ 2 billion in 1973 to $ 40 billion in 1980. Such projections assume, unrealistically, that the current account surplus of the major oil-exporting countries, estimated at $ 65 billion in 1974, will further increase in the coming years upto 1980; also, that the rest of the world will not try to readjust its payments position but would try to somehow finance its ever-increasing deficits through larger borrowings. The OECD estimates that the oil exporters' cumulative surplus would increase to $ 553 billion if the price of oil falls to $ 7.2 per barrel or to $ 741 billion if it remains unchanged. These estimates are as unrealistic as the World Bank President's. The world political system is unlikely to accept such massive surpluses in the hands of a few, otherwise economically and militarily weak, oil-exporters. Thus behind the apparently technical debate over 'recycling' there lies a political tussle, with the developed Western countries resisting the new-found power of the oil-exporters.

Maharashtra

Shifting Deadline

Our Maharashtra Correspondent writes:

GOING, going ... not going. This has been the story of V P Naik's chief ministership of Maharashtra for the last three years at least. After another bout of speculation about his departure, on Wednesday last Naik secured the Prime Minister's permission to expand his council of ministers and further entrench himself in power. Three of the major contenders for the chief ministership from the powerful Maratha caste — Vasantrao Dada Patil, Minister for Irrigation and Power, Shankarrao B Chavan, Minister for Agriculture, and Y J Mohite, Minister for Co-operation and Food and Civil Supplies — had strongly opposed Naik's move to expand the Cabinet. In fact, they had let it be known that they would not countenance Naik's continuance in office any further; In this stand they were supported by the Maharashtra Pradesh Congress President, P K Sawant. Also, in their bid to dislodge Naik, Vasantrao Patil, Shankarrao Chavan and Mohite had closed their ranks and informed the Prime Minister that they would abide by her choice of the new chief minister.

The Prime Minister had let it be known as long ago as in September 1971 that Naik would be eased out before the Assembly election in 1972. With this assurance, Shankarrao Chavan had revolted against Y B Chavan, with the support of Vasantrao Dada Patil, Y J Mohite and P K Sawant who was then Minister for Agriculture. Then came the Assembly election and the Prime Minister once again gave the "firm assurance" that Naik would be replaced as Chief Minister after the Assembly election, at the time of formation of the new government. The deadline for Naik's departure was then shifted to his sixtieth birthday in July 1973. Naik went on to complete ten years as chief minister in November 1973. Still he continued in power. And now, exactly one year after his completion of ten years as chief minister, Naik has secured the Prime Minister's permission to expand his cabinet.

Considering the political, economic and social power that the Maratha community wields in the state, it is no small achievement that the chief ministership has been denied to it for 11 years. Largely this is the result of the Prime Minister's attempt to safe-

There will be no issue of *Economic and Political Weekly* on November 16 on account of Divali holidays in the press.

—*Ed.*

guard her control over Maharashtra Congress by not allowing the chief ministership to be captured by the already powerful Marathas. However, External Affairs Minister, Y B Chavan, himself a Maratha, too has contributed to this outcome since he does not much care for any of the three major Maratha contenders for the chief ministership. No doubt he is also apprehensive that a Maratha chief minister might pose a serious threat to his leadership of the state Congress. The three Maratha aspirants for the chief ministership have, therefore, sought to achieve their objective by pledging their undying loyalty to the Prime Minister. And each time the Prime Minister has disappointed them, Chavan has been able to hold up to ridicule, before the state Congress party, the futility of these leaders currying favour with the Prime Minister. For his part, Naik has cleverly played on the Prime Minister's apprehensions about a Maratha chief minister and Y B Chavan's antipathy to the principal Maratha contenders for power. As a result, while he has continued in office with the support of the Prime Minister, he has been on excellent terms with Y B Chavan, accepting his leadership of the Maharashtra Congress party.

The composition of the enlarged council of ministers brings out the major considerations pursued by Chief Minister Naik to strengthen his position. Most important, he has included in the government a number of known opponents of the most important contenders for the chief ministership. For instance, Ratnappa Kumbhar, a sugar co-operative overlord from Kolhapur, is a bitter enemy of Vasantrao Dada Patil. Kumbhar, though only a minister of state, has been given the crucial portfolio of Home and Publicity under the chief minister. Similarly, MPCC Vice-President, Shankarrao Gedam, K M Patil, a powerful co-operator from Jalgaon, Shivajirao Nilangekar-Patil from Marathwada and Uday Singh Gaikwad are all opposed to the dissident leaders. Of these two at least, Kalyanrao Patil and Nilangekar-Patil, have been specifically rewarded for their opposition to Shankarrao Chavan. From among the seven promotees to the Cabinet rank from the position of ministers of state, six are staunch supporters of Naik. At the same time, Y B Chavan has been propitiated by the promotion of his protege, Sharad Pawar. Finally, Naik has tried to balance the Marathas through larger representation for non-Brahmin, non-Maratha politicians, mainly Harijans and scheduled tribes.

US and Chile

Food and Faith

THE only way in which Henry Kissinger's statement, made at his press conference in New Delhi on October 30, that "the United State did not foment the overthrow of a constitutional government in Chile", can be reconciled with the known facts of the case is by recourse to the adage about it being part of a diplomat's responsibilities to lie for his country. Early in September, the US ambassador to India, Daniel Moynihan, had sent a confidential cable to Kissinger warning that the recent disclosures about the CIA's role in Chile had confirmed Prime Minister Indira Gandhi's "worst suspicions and genuine fears" about Washington's policy towards her government. Moynihan had said that the Indian Prime Minister "knows full well that we have done our share and more of bloody and dishonourable deeds". At this press conference, Kissinger brushed all this aside with the laconic statement that "Ambassador Moynihan sends me many cables of great eloquence designed to explain to me the point of view of Indians". However, Moynihan's cable to his secretary of state is notable not for any particular perceptiveness about "the point of view of Indians". Indeed, it should have been obvious to the US ambassador that the Indian Prime Minister's attempt to equate her government with that of the late President Allende in Chile and to raise the bogey of US intervention was intended to give herself and her government wholly unintended socialist airs for domestic consumption. What was significant about Moynihan's cable was that he, an ambassador representing the United States, seemed to have no doubts about his country's "bloody and dishonourable deeds".

At a news conference in Washington on September 16, President Gerald Ford himself had been forced to admit that the CIA had carried out cloak-and-dagger operations against the Allende government. These operations, according to the US President, were intended "to help and assist the preservation of opposition newspaper and electronic media and to preserve opposition political parties". President Ford justified these activities, as well as others carried on in other countries, as being necessary "to help implement foreign policy and protect national security".

President Ford's admission had come in the wake of the publication of CIA director William Colby's secret testimony before a Congressional sub-committee. Colby had disclosed that between 1970 and 1973 the Nixon Administration had authorised more than $ 8 million to finance CIA activities aimed at overthrowing the Allende government. Not all of this money — which was worth the equivalent of about $ 40 million in Chile, since it was funnelled into the country through the black market and at the 'unofficial' exchange rate — only to prop up opposition newspapers and political parties, as President Ford had claimed. The *New York Times*, basing itself on sources within the CIA, disclosed that the funds were used to finance the anti-Allende strikes of truck-owners and shop-keepers in 1972 and 1973. The paper's Washington correspondent reported as follows on September 20 :

> "Among those heavily subsidised were the organisers of a nationwide truck strike that lasted 26 days in in the fall of 1972 seriously disrupting Chile's economy and provoking the first of a series of labour crises for President Allende.
>
> "Direct subsidies ... also were provide for a strike of middle-class shopkeepers and a taxi strike among others, that disrupted the capital city of Santiago in the summer of 1973, shortly before Mr Allende was overthrown by a military coup.
>
> "At its peak, the 1973 strikes involved more than 250,000 truck-drivers, shopkeepers and professionals who banded together in a middle-class movement that, many analysts have concluded, made a violent overthrow inevitable."

Even earlier, immediately after the election which brought Allende to power there was no mistaking the US government's attitude to the new government in Chile. According to the *New York Times*, once again, Kissinger himself "personally directed a far-reaching Nixon administration programme designed to curtail economic aid and credit to Chile" after Allende's election in 1970. As a result of these efforts, not only the Export-Import Bank which after all is a US government agency, but even the supposedly international World Bank denied loans to the Allende government.

On the strength of the available evidence, the Foreign Relations Committee of the US Senate on September 17 voted unanimously to investigate the CIA's role in Chile. Yet Kissinger would have his Indian audience in New Delhi believe that the US had nothing to do with the overthrow of the Allende government in Chile. Perhaps he reckoned that with a million tonnes of food-grains and many other goodies hanging in the balance, the Indians would believe anything he told them.

Islamic World and Muslim Minorities

PERMIT me to point out certain errors made by Pran Chopra in his reporting of the Islamic conference ("The Islamic World and Muslim Minorities", August 31).

To quote his very first sentence: "The dominant theme at the ... Conference ... was Palestine, an issue which evokes a strong Islamic affinity between many Muslims." *This is not true.* The conference adopted 18 political resolutions, of which only one, resolution No 10, was on "The Middle East and Palestine Issues". Palestine is a very important issue not only at Islamic conferences but also at the meetings of African States under the Organisation of African Unity, at non-aligned conferences, at the UN and at every major international conference dealing with political issues. It was given the same importance at Kuala Lumpur, but it certainly *did not dominate the conference.*

Palestine is one of the most important issues of the world today not because of its Islamic "affinity" (whatever Pran Chopra means by that). Islamic countries are not demanding restoration of the national rights of Muslim Palestinians only, they seek to restore the national rights of all Palestinians, including a large number of Christians and a fair number of Jews (all those who lived in Palestine before it was partitioned). The conference did not ask for the "political right of the Palestinians", as Pran Chopra has put it. It, like other international gatherings, said the Palestinian people form a nation and should have their national rights restored to them by the setting up of a Palestinian State.

Pran Chopra's main theme appears to be that in their attempt to support the struggle of Islamic minorities for their rights, the Islamic countries are prepared to encroach upon the sovereignty of non-Islamic nations, but that these Islamic nations to not really have the courage to go further along that path, at least at the moment, because, in his words, "many Islamic countries are themselves as pluralistic in different ways as many non-Islamic ones and therefore equally vulnerable to 'interference' in their domestic affairs". The reality is that the Islamic countries have been and still are victims of colonialism, neo-colonialism and imperialism. Now they are, for the first time, trying to organise resistance to those forces but their attempts at protecting themselves are being cited as attempts at aggression.

The first sentence of Pran Chopra's second para reads: "But when the Conference took up the question of the treatment of Muslim minorities in free and independent non-Muslim countries, specially the Philippines, it came close to furnishing a true measure of how far Muslim countries think it proper to carry religious affinity. The discussion on this question showed a most interesting play between constitutional rectitude and concern for fellow Muslims. The way this play works out in the future will largely help to determine how trans-national Islamic affinities will adjust themselves to the demands of national sovereignty." I fail to understand what Chopra means by constitutional rectitude. Is it written down in the constitution of various countries that they would not show "concern for fellow Muslims" in order to remain constitutionally correct? Chopra takes for granted that Islamic people have "trans-national affinities" and he says that it is to be seen how these loyalties "adjust themselves to the demand of national sovereignty". What are these trans-national affinities or, in other words, which country or countries are the Muslims in other countries loyal to or have affinities with? Are there countries to which Muslims of other countries are loyal?

If Chopra had seen the conference papers he would have noted that the words used by delegates for describing their objective were "Islamic solidarity" (the conference resolutions also use the same words). But instead of using the term mentioned in the conference, Chopra preferred to coin his own phrase, "Islamic affinity", which he has used liberally and which conveys very little meaning politically.

One gets the impression that Pran Chopra has written the article in question on the basis of his prejudices about the Islamic nations wanting to take aggressive attitudes and interfering in the affairs of other nations in the name of supporting the rights of Muslim minorities living in them.

Kuala Lumpur HARISH CHANDOLA
Malaysia

On Keeping Silent

IN "On Keeping Silent" (October 26), the author has been surprisingly naive about what he considers to be the latest step towards the dismantling of democracy in India — namely, the firing of editor B G Verghese of the *Hindustan Times* by its proprietors, the Birlas, at the behest of the Government of Indira Gandhi. What precisely does this latest step threaten? As I see it, what is under threat is only the freedom of the middle class intelligentsia to communicate among its own kind.

The freedom of the Press cannot have a wider validity in a nation which has kept 70 per cent of its population illiterate. Where every effort has been made to keep out political education, freedom of expression cannot have a validity outside the middle class. Is not a vast majority of the people kept leashed in by the caste system? Is not ours a slave society which practises untouchability without any qualms?

This middle class acquiesced in the deprivation of the vast majority of Indian of many rights: the right to eat, the right to self-respect, the right to human aspirations. It was not a case of indifference as suggested by the author of the piece under discussion. In return, the middle class has been assured of luxury consumption. This necessarily meant perpetuation of inequalities, over which the middle class howls.

This howling too is a part of the arrangement. The Press can complain about illiteracy untouchability, hunger, famine, death, Naxalite prisoners, black money, the decline of the Left and, finally, Sartre and the responsibility of the individual. However, since the arrangement is part of patronage, no precise list of do's and don'ts need be prescribed. The government can shorten the list at will.

And even though the list may exclude Sikkim or the bogus foundation stones laid as part of electioneering in UP, you may still pull up the government for quibbling between starvation and sundry maladies that cause death during famine. That is the essence of patronage. And glory be to the Congress if the government retraces the latest step.

But what if a further step is taken? Alas, if you let down the bottom 30 per cent, and accommodate the middle sixty per cent on sufferance, how long can you maintain the niceties of liberal democracy for the top 10 per cent? *... jader korecho apaman/apamaney hote habe tader sabar saman* (Tagore).

Bombay G GAONKAR

Calcutta Diary

A M

THAT was a different kind of world. Calcutta, the early 1930s, the era of Subhas Bose, J M Sen Gupta, and *ersatz* self-government which was the Calcutta Corporation. Nobody had heard of the poor, or bothered about them: they, or at least the bulk of them, were peasants — and Muslim. Kazi Nazrul Islam was all right, but he was as good as being one of us, he had even married a Hindu girl. But pampering of the Muslims would not do, somebody must tell Gandhi; Jinnah must be told off; the antics of Fazlul Huq must not be tolerated any more. The Congress, after all, was three-quarters solid Hindu zamindar. They had their beautiful mansions down Camac Street and Lansdowne Road. It was the nadir of depression, but so what? The Permanent Settlement had built-in virtues, the peasantry suffered, not the landlords. The landlords' real income in fact went up, as also the real income of the fixed income-earning middle class. Those were the days that were; Calcutta still had class; Begum Akhtar was still only Akhtar Bai — slip of a girl, singing before the taluqdars at Lucknow, or the zamindars down Camac Street or Lansdowne Road in Calcutta, mostly light classical.

On occasion, the terrorists would break loose and create news. Some silly girl would take a pot shot at Sir John Anderson, one or two police agents would get assassinated, there would be some comment in the newspapers, the despatches between the Secretary of State and the Viceroy, and between the Viceroy and the provincial Governors would intensify. The Congress leaders would be torn by ambivalence: disapproval of the doings of hot-headed young people would be combined with agitated condemnation of British obtuseness. After a brief while, the racket would die down. The Muslim peasantry would continue to be pressed down upon. The landlords would supervise, through their umpteen agents, the efficient collection of revenue. Come December, the Viceroy would address the Bengal Chamber of Commerce. The zamindars would be in their full regalia. In the evenings, Akhtar Bai would perform. During the day, there would be cricket. Remember all those names who constituted the core of the Calcutta and Ballygunge Cricket Clubs? Longfield, Behrend, Van der Gutch, Hosie? Rabindranath Tagore would be in Santiniketan, and all would be right with the world. The Bengali poets were a considerable community; they would be short of funds, but, no matter; in the early 1930s they would always somehow manage to bring out *avant garde* journals which, though as a matter of principle against Tagore, would publish as their opening piece his long letters praising or castigating them. The Bengali young men, that is, those who were Hindus, would divide themselves in two easily identifiable goods: would-be terrorists and would-be poets. Sometimes would-be terrorists would outnumber the would-be poets, sometimes it would the other way round; here and there there would be some overlap. Every now and then, this or that odd professor would quote from Lunacharsky or Leon Trotsky. What the Russians were doing unto themselves would be the staple of some infrequent discussion or other. But barely anybody lost his sleep because of the distant thunder which was Moscow or Leningrad. The poor were quiet and submissive, they were mostly peasants, and they were Muslims. All one had to do was to tell blighters like A K Fazlul Huq where to get off; the rest would be peace and tranquility. The Metro Cinema would perhaps have on a Janet Gaynor film, and there would always be Akhtar Bai to listen to at this or that zamindar's place. There would be no occasion to chant in mournful numbers that life was one long empty dream: It was not, it could not be, the poor were not around, and Akhtar Bai was performing in the evening.

Came the War — and the partition. It was a terrible wrench for the Bengali Hindu zamindars. The next thirty years they have continued their desultory attempts at rehabilitating themselves — spiritually as much as physically. There was an end to indolence: the houses on Camac Street and Lansdowne Street caved in, the revenue disappeared, the Hosies and the Longfields departed — maybe to Australia or maybe to Canada — but they also took with them a certain style of living. The surplus was raised in the paddy fields of north and east Bengal, though it used to circulate in Calcutta. Now the British had let up the arrangement. The Hindu zamindars, lawyers and doctors gave corpus to it: luncheon at the Firpo's, fruitcake and other *patisserie* for Christmas, illumination at Chowringhee and Park Street, gala ball at the Governor's house; the Calcutta Club would be agog, the Viceroy would be at the Belvedere, he would receive the gentry from nine in the morning till late in the afternoon, the realities of poverty and pestilence would fade into the dark background. Bade Ghulam Ali would be in town, so would Akhtar Bai, then a slip of a girl.

As the war ended, and the country was split in two, this style of life was dealt the *coup de grace*. Other modalities for the circulation of surplus value had to be thought of. The problem was not in the germination of surplus; in our land the poor are for ever, they are always squeezable. But there could have been — as they love to say in economics — a 'realisation' problem. The disappearance of the filthily rich could have heralded a cultural crisis. The new class of industrialists did succeed in filling the vacuum, but only upto a point. For, meanwhile, even culture had proliferated — with its thousand promenades and *cul-de-sacs*. The wretched of the earth remained the wretched of the earth; culture flourished, however — and grew. What the industrialists on their own failed to accomplish, they lost to the State. Those who, ensconced in comfort, had once read Leon Trotsky on proletcult, suddenly felt elated. The State stepped in, and the realisation crisis was over! Akhtar Bai blossomed forth as Begum Akhtar.

Thus, at the Centre, a Ministry, supposedly charged with the responsibility of looking after Education, also took over Culture. The 'Akadamis' — not *academies* — came into their own. Culture was nationalised, and a policy of discriminating pricing came into operation. It was monopoly in the product market and, simultaneously, monopsony in the factors market. What favours to dispense to which artiste or singer or playwright or painter or poet, became the prerogative of those in authority. And the distribution of the works of the poets and playwrights and artistes also became the subject of centralised decision-making. Till as long as Jawaharlal Nehru happened to be around, the supplanting of the taluqdars and the zamindars by the State did not perhaps make a difference — after all, Nehru's style of operation was hardly distinguishable from that of a nineteenth-century Hindu overlord. In the sphere of culture at least, his intervention ensured a continuance in the character of patronage. Akhtar Bai was transformed into Begum Akhtar, but there was a whiff of past memories in the modulations of her voice; from time to time, the slip of a girl would attempt to rush to the stage and dislodge the doughty dowager which Begum Akhtar had become.

As you look around, first to this side and then to that, it is a queer mixture of a set-up: slapdash semi- and quasi-feudalism co-exists with degenerate mercantilism and gawky-eyed capitalism. The nationalisation of Culture, spell it with a big C, could not but give rise to a series of oddities, and a large portmantean of outrages. Culture was taken over by the State. But the nature of the State being what it has been, the masses have been doled out only droll tunes, expiating on the virtues of family planning through the community wireless sets; occasionally, supplementary meals have been served too — such as how, through the heroic endeavours launched and guided by whoever happened to be Prime Minister, this noble land was saved from the designs of the nefarious Chinese. But all the while, the good things of life were reserved for the rich — the ruling class, who alone had entitlement to listen to Begum Akhtar or watching Yamini Krishnamurthy on State-sponsored occasions.

The slip of a girl made good, she transcended her humble origins, she became rich and famous, she, Akhtar Bai, became Begum Akhtar, recipient of many State awards. And she travelled outside the country — a cultural ambassadress, spreading the gospel of India's aesthetic refinements. In other words, she was captured, became a clog in the machine. When she was not rich and famous, she would come down to Calcutta, the clientele of affluent landlords would of course be there, but she also had a different category of admirers. Young people — and some of the old — from middle-class homes would ask her to sing for them free of charge; and she would agree. Even before the IPTA, there was therefore this — howsoever tepid or feeble — effort to sing for the masses. Once the State took over Culture, it was altogether a different proposition. Akhtar Bai was nationalised. She became Begum Akhtar. She had little time to spare for ordinary people. After catering to the whims of those in authority, whatever little leisure she had went for the edification of the rich. Akhtar Bai, Begum Akhtar, died in harness. It is a pity she could not be liberated before her death: the nightingale, as long as she was around, remained chained to the cage.

COMPANIES

Expanding despite Financial Stress

Hansavivek

KANORIA CHEMICALS AND INDUSTRIES is expanding existing manufacturing facilities and undertaking new projects. It has secured 'letters of intent' to expand the capacity of its caustic soda plant from 33,000 tonnes to 66,000 tonnes per annum and of its stable bleaching powder plant from 5,000 tonnes to 15,000 tonnes per annum. After obtaining government approval, a collaboration agreement has been entered into with Rohm and Haas of USA for manufacture of methyl methacrylate monomer. The company's application for increase in capacity for manufacture of toluene di-isocyanate from 3,600 tonnes to 6,000 tonnes per annum, however, is still being considered by government. Meanwhile, imported plant and machinery for expansion of capacity of the benzene hexachloride plant from 3,000 to 6,000 tonnes per annum is under erection and the expanded capacity is expected to be commissioned soon. During 1973-74, the company produced 4,402 tonnes of BHC. Production of caustic soda at 17,103 tonnes was lower owing to power shortage throughout the year. The stable bleaching plant produced 4,475 tonnes and steps are being taken to rectify the lime kiln under advice of Ingras of Yugoslavia. Bleaching powder of the value of about Rs 8 lakhs was exported by the company. The salt works acquired by the company commenced production towards the end of the year and produced only 1,291 tonnes of salt.

The company's sales and profit were slightly lower compared to the previous year. Equity dividend, paid at 10 per cent last year, has been skipped. Both wages and inventories in relation to sales have increased over the year. A sum of Rs 19,376 has been paid in excess to the managing director, for which government approval is being sought. The company's ways and means position was strained owing to capital expenditure incurred on the expansion and modernisation programme. IFCI and ICICI have agreed to reschedule the company's debt obligations. The date of redemption of the 20,000 cumulative preference shares of Rs 100 each has been extended by 10 years to March 28, 1984 and the rate of dividend enhanced from 9.5 per cent to 9.8 per cent. Swadeshi Chemicals has been re-appointed as distributor for BHC for the whole of India for a further period of five years from April last on a commission of 5 per cent on the ex-factory price. Last year the company paid by way of commission Rs 8,83,310 to sole selling agents and Rs 1,63,680 to others.

R K Kanoria, who had been a director of the company from its inception and its chairman for more than 10 years, resigned from the board in February last. S S Kanoria, managing director, has been elected as chairman in his place. S M Bannerjee, another director, resigned in September 1973.

The directors expect the company to turn out better working results this year, as production of caustic soda is likely to improve and demand for BHC and stable bleaching powder is already very good.

INDIAN RARE EARTHS has taken up some preliminary work on the mineral sands separation plant, which is part of an industrial complex based on beach and sand minerals proposed to be set up near Chatrapur in Orissa. The project would consist of, apart from the mineral sands separation plant, a synthetic rutile plant, a zirconium chemical plant and a caustic soda plant and is estimated to involve a capital outlay of Rs 38.30 crores. Steps are being taken to obtain funds for the project and to finalise consultancy and collaboration agreements. During the year to March 1974, the company's production of minerals was higher than in the previous year owing to slightly higher raw sand processed and better recoveries. Production was below the target at Manavalakurichi due mainly to power cut and shortage of furnace oil. The capacity of the plant at Chavara was raised by 30,000 tonnes to 1,30,000 tonnes per annum. The zircon opacifier plant was operated to full capacity to meet the increased demand for zirflor. Production at the rare earths plant at Alwaye was lower owing to shortage of raw materials. Thorium hydroxide was stocked in the wet form as in the past. The government of India paid about Rs 10 lakhs to the company for thorium hydroxide. The company obtained increased prices for its products in the export market and, for the first time, exported zirflor. Total turnover rose by 43 per cent to an all-time high of Rs 469 lakhs. Of this, increase in turn-

over of the minerals division was 69 per cent and of the rare earths division 18 per cent. The foreign exchange earnings increased by about 83 per cent to Rs 311 lakhs. Gross profit also leapt by about 85 per cent to hit a new peak in the company's 24-year career. Both the ratios of wages and inventories to sales were substantially lower compared to the previous year. In view of the restrictions on payment of dividends, distribution was maintained at 8 per cent. Workmen of the Manavalakurichi plant went on a strike on the question of compensation for the lay-of period, which resulted in loss of production for nearly a month.

CROMPTON GREAVES has turned out good results for the year ended June last in spite of the power crisis in many states, transport dislocations and shortages and increased costs of raw materials. Production of all items, except metal cased plugs and sockets and carbon brushes, was lower than in the previous year, but sales were 10 per cent more and gross profit was 36 per cent higher. Part of the dividend, reduced from 15 per cent to 8 per cent on the capital enhanced by a one-for-two bonus issue, is expected to be exempt from tax. Exports at Rs 159 lakhs showed an increase of 41 per cent over the year. CG has been recognised as an 'export house' and expects to further increase exports this year. No provision has been made for claim by ex-employees of the amalgamated company for additional bonus for 1964 (Rs 6 lakhs), claims by employees arising out of certain awards by industrial tribunals/courts against which appeals/petitions are pending (Rs 17 lakhs), claims of the daily-rated workmen arising from a demand for revision of wages, dearness allowance, etc, which are pending before the industrial tribunal (amount not ascertainable) and other claims against the company not acknowledged as debts (Rs 17 lakhs). Remuneration, including allowances and other benefits, paid to managing director and other directors increased over the year by about Rs 2 lakhs to Rs 10 lakhs. The company has purchased 1,660 equity shares of the paid up value of Rs 1,000 each in Kersons Manufacturing Company of India at Rs 125 per share and on a review has decided not to pursue the proposal for purchase of shares in Khatau Junker.

FACIT ASIA, maker of hand-operated calculators and adding machines, apprehends competition from electronic calculators and is diversifying its activities. It has obtained a 'letter of intent' for manufacture of 20,000 numbers typewriters per annum and is seeking government approval to the terms of collaboration negotiated with FACIT of Sweden for this purpose. During 1973-74, the company's production was marginally higher than in the previous year despite some labour problems which persisted during a substantial part of the year. In addition, the company had to contend with increased costs on account of inflationary trends and lower realisations on export sales. The working results, however, turned out to be satisfactory, although profit margins were reduced. In view of the dividend restrictions, equity distribution was lower from 15 per cent to 11 per cent. Exports more than doubled at Rs 11 lakhs and are expected to further increase in the current year. With the expiry of sole distributorship agreement with Rayala Corporation for manual calculators and adding machines in November 1973, the company has appointed four distributors to handle sale of these products in different parts of India. Arrangement made for sale of electronic calculators did not show desired progress, mainly on account of inadequacy of supplies.

The Week's Companies (Rs in Lakhs)

	Kanoria Chem		Ind Rare Earths		Crompton Greaves		Facit Asia	
	Latest Year 31-3-74	Last Year 31-3-73	Latest Year 31-3-74	Last Year 31-3-73	Latest Year 30-6-74	Last Year 30-6-73	Latest Year 31-3-74	Last Year 31-3-73
Paid-up capital	125	125	185	175	720	480	30	30
Reserves	114	109	212	171	754	777	28	23
Borrowings	335	282	203	260	237	353	18	14
of which Term Borrowings	212	210	183	182	85	94	5	10
Gross fixed assets	660	589	542	516	875	746	50	47
Net fixed assets	461	404	419	414	491	416	24	24
Investments	—	—	—	—	3	1	—	—
Current liabilities	79	57	86	51	967	809	69	61
Current assets	189	167	266	244	2184	2001	120	103
Stocks	139	115	145	152	917	814	42	33
Book debts	47	47	102	82	1259	1177	61	55
Net sales	407	409	469	328	3743	3379	110	97
Other income	17	14	22	19	56	28	3	2
Raw material costs	95	105	26	24	2273	2113	47	35
Wages	56	50	125	120	548	468	16	13
Interest	30	11	18	16	38	54	2	1
Gross profit (+)/loss(—)	51	55	109	59	488	358	32	31
Depreciation provision	33	38	21	17	58	52	3	3
Tax provision	—	—	39	11	242	127	19	19
Net profit (+)/loss(—)	18	17	49	31	788	179	10	9
Development rebate provision	10	14	5	5	12	15	—	—
Transfer to reserves	5	—9	29	12	118	92	7	5
Dividend								
Amount	P 3 P —	3 9	E 15	14	E 58	72	E 3	4
Rate (per cent)	P 9.8&9.5 E —	9.8&9.5 10	E 8	8	E 8	15	E 11	15
Cover (times)	—	—	2.93	1.86	3.03	2.28	3.33	2.25
Ratio (per cent)								
Gross profit/sales	12.53	13.44	23.24	18.00	13.04	10.59	29.09	31.96
Net profit/capital employed	3.13	3.29	8.16	5.01	10.98	11.12	13.16	13.43
Inventories/sales	34.15	28.11	30.91	46.34	24.49	24.09	38.18	34.02
Wages/sales	13.76	12.22	26.44	36.58	14.64	13.85	14.54	13.40

Financing Famine Relief: Calling the Bluff

Amrita Rangaswami

THE UNION Government's strategy to finance famine this year is based on a gamble. The Centre is betting on the chance that in the affected states, this lean year will be followed by four good years. And on the basis of this rather Biblical assumption, it is releasing to the states in advance funds from the Central assistance for the entire Fifth Plan period.

The decision has not been taken with reference to the meteorological department. The Union Finance Ministry is merely implementing the policy laid down by the Sixth Finance Commission. *The Commission said: "While in the* normal years the Schemes included in the Plan for development of drought/flood-prone areas will be included according to the annual phasing visualised in the Plan, the pace of execution of such programmes should be suitably accelerated when the area is stricken by natural calamities. Such advance release of Central assistance for the Plan in a year in which a state is stricken by a natural calamity will not only meet its immediate needs but also expedite the process of development of drought-affected areas. At the same time, the states would be put on notice from the beginning that any assistance which is thus secured by them would be subject to the overall ceiling of Central assistance for the Plan period as a whole."

Relief, according to the Sixth Finance Commission, is the states' constitutional responsibility. In any case the Reports submitted by the Central teams is that only in Gujarat the state as a whole is facing scarcity. Orissa is affected in parts, particularly Ganjam district. Bengal of course presents the classic famine trap. Plenty of grain is available in the state but the government seems to be neither willing nor able to rush it to the affected areas.

A glance at the monthly expenditure reports during previous famine years makes it clear that the first six months (September to March) of relief operations will not present a serious financial crisis to the states. If the states were capable of setting up adequate relief machinery, the crisis would come in the next financial year — April, May and June.

The states, however, are making a frantic bid to break the Centre's resolve to hold on to the Finance Commission's award. Images of total crop damage, of mass starvation, are being evoked in the propaganda against the Centre's financing policy. That in this ugly campaign, even human lives have become expendable only shows the the lengths to which states will go to force the Centre to go back to the halcyon days when there was a free and ready flow of funds. This is the tragedy. To the people, the 'recognition' of 'famine' has always meant a promise of a season of plenty — a meal every day of the week.

If the Union Finance Ministry is aware of the dimensions of the problem, it does not wish to appear to be so. The spending orgy of the states during the 1972-73 famine and the Centre's present financial situation leave it with no choice. It is, therefore, determined to give the Sixth Finance Commission's award a fair trial.

Test Case

It is fortunate therefore that Gujarat will be the test case. There is no popular government in the state and there is little fear of politicisation of relief funds. Gujarat also has a good relief machinery which has already put nearly three lakhs to work.

The state's bureaucrats are also keen on giving support to the Centre's policy. They are seeking to diversify the number of agencies both to finance relief operations and to provide employment. The state is attempting to raise a higher level of revenues through sales and entertainment taxes, is presently addressing the Life Insurance Corporation to finance water supply schemes, and is appealing to the Railways to extend a siding here and double a short line elsewhere.

The state is estimating an expenditure of Rs 100 crores, of which Rs 40 crores is to be spent in the current financial year. It is expecting to raise Rs 19 crores from the Centre's share in the drought-prone areas development programme alone. But the financial crisis is not the state's real dilemma. The relief machinery already set up is providing work for lakhs of people and on plan schemes. At least an additional three lakh mandays of work per day will have to be provided in the next six weeks. This will go up to a minimum of ten lakh mandays per day in March-April. Will it be possible to change the character of the relief system to match the formula for financing?

The present relief system implies:

(a) providing work for lakhs of people;
(b) ensuring continuity in employment for six to eight months, and
(c) providing work at a low 'unit' or per head cost.

The new formula implies integrating relief works with Plan schemes — irrigation and other projects that would bring about the development of the drought-prone area. The per unit cost of labour on schemes of this nature ranges from Rs 12 to Rs 24. The per unit cost on a relief work is Rs 3. If any of these schemes have to be selected (assuming that the construction portion alone would not be taken up) the numbers on relief will have to be drastically cut down. During the days of the British, at least ten per cent of the population of the affected district had to be provided for. Will that continue to be feasible?

Secondly, what are the gigantic projects that can be taken up in the backward talukas of Panchmahals, Banaskantha, Kutch and Rajkot? If projects under Plan schemes have to be taken up for destitute relief, would that constitute a greater or lesser drain on the state's finance? Can the two concepts "plan work" and "destitute relief works" be at all integrated?

This is a basic exercise that the Union Finance Ministry should undertake for all states. Evading it might only bring about a far more serious adhocism in relief financing than any we have so far faced.

And the Finance Ministry cannot rely on the policy evolved by the Sixth Finance Commission. The Commission's approach was faulty on three counts: (i) its policy was based on the wrong premises; (ii) the Commission's analysis of the problem clubbed together the abuses of the system with the inherent defects in the system; and (iii) it misunderstood the nature of the calamity.

Wrong Premises

The Commission's policy was based on the premise that it is possible, "through a massive, time-bound programme", to "substantially reduce, if not eliminate the vulnerability of these areas to drought".

From the meteorological standpoint, this is a rash statement. Firstly, neither the Soviet Union nor the United States

has been able to eliminate drought. The wheat fields of Australia and the Ukraine are as vulnerable as the paddy and bajra fields of Orissa and Kutch. Secondly, drought can occur anywhere, in any part of India. The term drought-prone area has become an obsession with Indian planners. And it is likely to cause more havoc (in terms of crop damage) in Orissa, an area of high rainfall dependability than in Kutch, an area of high rainfall variability. Thirdly, as the British discovered way back in 1898, the distress need not be restricted to the area of drought occurrence. And, lastly, the distress need not occur in area of crop failure, but may occur in the adjoining districts. Gujarat, for example, knows that crop failure in the Kaira district means distress in the Panchmahals — the area from which the labour is drawn.

The recommendations for a "massive time-bound programme of action" is naive. The Second Irrigation Commission set for itself the very task of working out a programme to release these areas from dependence on rainfall. It said: "Finally, there is the question of suggesting a minimum programme for drought districts. At present about 13 per cent of the cropped area of the drought affected region is irrigated. This is likely to rise to about 19 per cent when the schemes under execution are completed. Even so, as much as 80 per cent of the drought-affected region is unirrigated. In the drought areas of Madhya Pradesh, Karnataka, Maharashtra and Gujarat, where the present level of irrigation is lower than 13 per cent, the position will be even worse. The extent of the area irrigated in the drought districts will go up to about 25 per cent of the cropped area when all the works which these states have proposed are completed. It is possible some of the works proposed may not prove to be feasible, and some on the inter-state rivers may have to be dropped if competing schemes for the use of water are given precedence. For these reasons, we feel that the needs of the drought areas will not be adequately met by any minimum programme of irrigation. What is needed is a maximum programme because *even* if such a programme is implemented, drought areas will lag behind, since only 25 per cent of the cropped area will come under irrigation as against fifty per cent for country as a whole."

Looked at from this point of view, it seems that the programme of development of drought-prone areas is a myth. Should we, on the basis of this assumption, evade an exercise on the dimensions of the problem of relief for these areas?

Abuses and Defects

In its analysis of the problem of financing relief, the Sixth Finance Commission found "two serious defects". "Firstly, the states have no incentive for economy in expenditure ... They try to get as much as possible by way of Central assistance for drought relief. Secondly, the schemes on which drought funds are utilised are not always integrated with the overall plans for development of these areas."

The first constitutes an abuse, the second a defect in the system. The states, it is undeniable, looked upon the 1966 formula for financing relief as framed in a moment of mindlessness. It is a 'kamadhenu', a Finance Secretary of one of the states exclaimed. Like the mythological cow, it offered its gifts without pre-condition. It left the nature of the calamity vague, but made the financing system explicit. 'Rainfall failure' or 'crop damage' was a definition so flexible, a measure so relative that it could, with ease, be applied to every district in the state. Drought funds were used not to provide relief but to finance Plan schemes. As a collector in one of these states jokingly put it, "We had a drought of Plan funds, so we worked out a plan for drought funds." The flagrant abuse lay not in the financing of petty plan items such as the expenditure of lakhs of rupees on the cement lining of a canal, or the building of a wall for an arboretum or the repairs undertaken for a collector's bungalow, all accounted for under the head of Famine Relief; the abuse lay in the financing of major plan schemes in places remote from the affected districts. These states are now chuckling under their breath that under the award the abuse has attained a certain sanctity. "We have been pleading with Mr Dhar for this very thing", they declare. All pretence of providing relief may now be waived.

The Sixth Finance Commission came down heavily on schemes for relief that were not integrated with the plans for development. These were schemes "formulated in a desperate hurry". The salutary practice, envisaged in the Famine Codes, of keeping the list of works ready for execution as relief had fallen into disuse. In making this statement, the Finance Commission had ignored the change that had come over the relief system, particularly since Independence. The old codes, evolved at the turn of the century, envisaged two kinds of emergencies that droughts could cause. The first was scarcity, a calamity that could be faced by opening a number of village works, small, scattered, to cater to units of labour never larger than 3,000. The second was 'famine' which demanded the opening of large works such as irrigation projects, railway embankments and others. This could cope with many thousands of people demanding relief. Obviously, they could not be started near the villages — it meant the setting up of labour camps near the project site. The distinction was primarily in terms of the numbers that had to be provided for; 'famine' always implied relief on a mass scale.

In the thirties, a period when famines had faded away from public memory, some of the provinces began to discover that as a system "scarcity relief" was preferable. It would provide relief to people in their homes; it would ensure continuity of farming operations; by preventing concentration of labour in camps, it would help avoid the outbreak of epidemics. The fundamental change in the approach was that relief works should be started *before* distress set in. Described as the 'prophylactic system' of relief administration, the system aimed at preventing, by timely extension of employment on ordinary terms, a deterioration of the people in health consequent on unemployment. Relief was provided by opening small works scattered throughout the area where the crop failure was severe. Sufficient wages are paid to enable the worker to support himself and his dependants, the object being to assimilate the conditions of labour more nearly to those of ordinary times and thus reduce the element of pauperisation."

After Independence, faith in the system was reinforced by the rather naive belief that "famines" had been done away with. The distress, in independent India, could only be of smaller magnitude. 'Famine' was abolished by administrative fiat. (It continued, strangely enough, as a head of account.)

The term 'famine', declared a rather squeamish bureaucrat in 1953, "evokes horror". That the term remained in use in the vernacular was perhaps irrelevant to Yardi, the then Commissioner of Famine Relief in the old Bombay State. He felt, however, that provisions for large works could be made even within the scarcity relief system. It became mandatory therefore that relief

be provided within five miles of the village. 'Scarcity relief' and its corollary, the villages system of relief works, have continued since then. After 1966, the system began to show signs of strain. In Maharashtra, during the 1966-67 famine, there were six lakhs of people on relief works. By late 1972, this number had grown to 19 lakhs. I will not consider here whether administrative and financial constraints had helped to keep the numbers on relief low in the earlier years. The issue is very simply whether a scheme of village works can at all cope with providing work for nearly five million people on relief.

Every Collector in Maharashtra was in acute distress that he had not ordered a survey of sites for percolation tanks before famine struck. But many Collectors, faced with the problem of providing continuity in relief, deliberately chose to crowd a mob of 3,000 into a metal-breaking quarry than supervise them on a hundred tank works. When members of the Central team insisted on their taking up "productive works", some of them emulated the rather foxy Sarpanch of a village in Kutch who has been arranging, for the last ten years, for the same tank to be dug every year. Most of them found it impossible to cater to this awful appetite for work — the Nagpur Road plan that would have kept a whole generation of contractors content was completed by the end of 1972, eight years ahead of schedule!

Given the system of relief, what choice did the collectors have except to order the tearing off of flanks of the Maharashtra hillsides for the mobs to pound into a million, even-sized pieces? In Maharashtra, the nightmare ended, if only because the Centre and the State ran out of funds. In Rajasthan for the last ten years the people have been sifting sand. It continues even through a sandstorm with a gale of 80 kilometres per hour, when a hundred million particles of silica and quartz cover the sky and their fluid milky colour shuts out the light of both night and day and hides a thousand men, women and children at work. The work cannot stop. ("What can I do, I have no orders to give them a day off", says the deputy collector of Jaisalmer.)

The people loathe the work they are given. "We are 'Marathas'; only 'oddars' break stone" they said in Maharashtra but found to their deep shame that they were forced to accept the work. "Ask the government" they beg in Rajasthan, "to measure the sand we dig at the end of the day. At night the wind blows back the sand into the pits we have dug". During the 1972-73 famine year there were nine million people on relief works all over the country. What massive plan do we have for providing work for perhaps 10 million people who might demand relief in 1977? How did the Finance Commission overlook the 'nature' of the calamity?

Nature of the Calamity

It would be good here to juxtapose the findings of the 1901 Famine Commission with those of the Sixth Finance Commission. The Famine Commission found (rather to its consternation) that an expenditure of Rs 9,99,95,307 had been incurred in just four provinces. "We fear", cried the commission "that even these high figures would have been found to have under-stated the actual expenditure. Advances have been made to the extent of more than one and three quarter crores of rupees, a large proportion of which will be irrecoverable and suspensions of revenue to the amounts of two crores of rupees, a large portion of which will have to be remitted. Making allowances for loss of revenue in other departments, we think that this famine will in the end have cost the state not less than rupees fifteen crores or ten million pounds sterling. This expenditure far exceeds any previous famine."

The Sixth Finance Commission's chapter on financing relief expenditure bears a remarkable similarity. "One cannot but feel perturbed", exclaims the Commission, "by the sharp increase in expenditure on relief, particularly since 1966-67. As against an annual average expenditure of Rs 13.41 *crores during* the period of the Third Plan, expenditure under famine relief in the state budgets rose to an average of Rs 81.01 crores during the period of the three annual plans. This rising trend gathered unprecedented momentum during the period of the Fourth Plan. The expenditure of Rs 151.87 crores in 1969-70 rose to an all-time peak of Rs 318 crores in 1972-73. Central assistance to the states has also registered an equally disturbing increase ...".

The 1901 Famine Commission found an increasing tendency on the part of the people to depend on relief works. There was almost an expectation, they felt, that the government would provide work. The pressure on relief works brought about the attendant evils — "schemes that were formulated in a desperate hurry". "Experience has shown", the Famine Commission said, not without a touch of pompousness, "that the object can be attained at a moderate cost and with little demoralisation if prudence and foresight be duly exercised, and if means be properly adjusted to ends".

The findings of the Sixth Finance Commission seem to be almost an echo. "it is our distinct impression that there has been a good deal of avoidable waste in expenditure in the name of drought relief and also that with better planning and organisation more enduring benefits could have occurred."

However, the policy recommendations made are strikingly dissimilar. "We do not for a moment advocate a departure from the humane policy (of saving every life) laid down by the Government of India", the Famine Commission said. "We are convinced", the Finance Commission declares, "that the present arrangements for providing assistance to the states need to be completely overhauled".

Nobody would deny that the 1966 policy was responsible for the rise in the expenditure on relief. But the policy was a mere liberalisation of an understanding over a hundred years old between the states and the Centre — that the Centre would rush to the assistance of the states in the event of a natural calamity. The Finance Commission has revoked that understanding. The term "natural calamity" — an unfortunate term that has consolations that the event is heaven-sent — had been coined by the British, but the British did not define it in terms of crop damage or measure its dimensions with data on rainfall. Famine was a "pauperisation of a whole population". The numbers for whom relief had to be provided for in each district were computed with some reference to the economic base level of the district. It ranged from providing relief for a five per cent of the population in the comparatively better-developed areas to nearly 20 per cent of the population in the poorer tracts. The British had even undertaken a census of people on relief to find out data on occupation, landholding, etc. We do not seem to see the need for such an exercise. There has been no attempt to gauge even the vague dimensions of the problem in terms of the numbers, who in normal times live below the subsistence line and cannot take even a marginal fall in the level of consumption.

The British Government did consider enacting a poor law for Indian paupers but balked at the sheer size of

the problem. They shrugged it off by declaring that in ordinary times the caste system and the sense of mutual obligation and duty it engendered ought to suffice. But "famine" was a condition that was altogether different. As the Famine Commission of 1880 stated, "The pressing circumstances under which it becomes right and necessary that the resources of the state should be applied to the relief of want and suffering must differ in different countries but the general condition by which the obligation is governed appear to be these.

"(1) that the calamity should be one which places it beyond the power of the individual to obtain the requisite relief or efficacious remedy otherwise than with the aid of the state.

"(2) That the intervention of the state is likely to produce a practical beneficial result. There can be no doubt that much a calamity as famine, exceptional in its nature and arising from causes wholly beyond human control, which deprives an *entire population* of its customary food supply and the ordinary employment of the wage-earning classes, is one which in a country such as India wholly transcends individual effort and power of resistance.

"It accordingly becomes a permanent duty of the state to give all practicable assistance to the people in time of famine and to devote all its available resources to this end. And this duty is emphasised by the fact that the government stands in the place of the landlord to the agriculturists who form the great mass of the population."

Relief was to be provided and there was to be no ceiling on the expenditure. "Public works were to be opened at very low rates of pay, but without limit of expenditure." Implicit in this statement is the right to relief for the destitute. It seems that right to subsistence has now been done away with.

Simple Arithmetic

The award of the Sixth Finance Commission has not taken into account the needs of the states. The Commission, obviously in a great hurry, looked over the shoulder of the Fifth Finance Commission to copy (with a minor variation) its exercise in simple arithmetic. The Fifth Finance Commission had worked out the estimates on the basis of the average expenditure for the nine years 1957-58 to 1965-66, increased by 25 per cent in each case. The expenditure during the years 1966-67 and 1967-68 was considered 'abnormal' and, therefore, not included in the reckoning.

The Sixth Finance Commission felt that "for all practical purposes the average expenditure from 1956-57 to 1971-72 (1972-73 being left out both because it was abnormal and because the totals were not available) could be the basis on which the provisions needed by the states could be decided upon. It granted that its procedure was unscientific. "By far the most scientific procedure ... would be to assess the proneness of the different areas to ... natural calamities with reference to meteorological and other data". How can the Finance Commission blame the central teams for their lack of criteria in assessing relief needs when, by its own confession, it had none either? The Commission had noted that the present system had "introduced serious distortions in the scheme of allocation of central trends and ... would accentuate inter-state jealousies and rivalries". How far did its own award confirm these distortions?

Take, for example, the margin under the award for Orissa. In the previous award, Orissa government got Rs 125 lakhs — nearly Rs 50 lakhs more than Maharashtra and Andhra. In the present award Orissa has received Rs 3.58 crores while Gujarat gets Rs 4.55 crores and Maharashtra Rs 4.17 crores. (The figures were taken into account in arriving at the grants, if any, needed by the states under Article 275 of the Constitution.) But should not the Commission have adopted a more rational method to determine the margins?

Unasked Questions?

If only the Finance Commission had not looked at the totals of Central assistance but at the break-up of expenditure on relief, it might have attempted a different kind of exercise. What are the totals of expenditure incurred by the states on famine, including expenditure on taccavi, other subsidies, remission of revenue, remission of loans payable to co-operatives, etc? What proportion of the total expenditure has been incurred on relief works?

What was the wage component in the expenditure on relief works? In which areas was the expenditure incurred? Is there a high inter-state and intra-state variation? Did some districts also show a high inter-taluka variation?

Would these areas also necessarily coincide with areas of 'drought' or 'crop' failure?

Would it be possible to identify the talukas where "pauperisation of the population" tends to recur?

If so, would the dimension of the problem also become clearer? Can plan expenditure, committed as it is on projects commenced during the earlier plans, be diverted to these areas?

Has the Plan been framed with any reference to the levels of unemployment in these areas? If it has not been, how can it cope with the additional numbers thrown out of employment during a famine?

What would be the cost of maintenance of these paupers during an emergency?

What would be the long-term plan to reduce the numbers of those that now tend to depend on government for their subsistence?

Without asking any of these questions, how did the Finance Commission arrive at the answers?

Steel Complex

STEEL COMPLEX reports increased of about Rs 75 lakhs in the cost of its project. The revised cost also includes Rs 10 lakhs to be spent on certain additional capital items, not envisaged in the original estimate. The company is approaching the financial institutions for additional assistance. Regular production on arc furnace number one commenced in September 1973 and on furnace number two in February last. Delivery of concast plant, originally envisaged by about the same time as the furnaces, has been delayed partly on account of delay in receipt of import licence and partly owing to restrictions of power and oil experienced by the UK supplier at its factory. This plant is now expected to go on stream by January next. Meanwhile, the company has been producing ingots by the conventional method of casting. It has had to contend with initial problems with the second furnace. Moreover, shortage of cement and power in the country affected sales. The company's accounting year has been changed and during the 15 months ended June 1974 production and sale of ingots aggregated 13,736 tonnes and 11,032 tonnes respectively. Annual installed capacity is 37,000 tonnes and licensed capacity is 50,000 tonnes. On net sales of Rs 172 lakhs, the outcome was a deficit of Rs 40 lakhs, after providing Rs 17 lakhs for depreciation and Rs 23 lakhs for development rebate. The directors say the profitability will improve with the commissioning of the concast plant.

KERALA

Election Antics

Apararka

KERALA is one state where the people have not become habituated to Congress rule, and the main opposition to the Congress in the state, the CPM, is anxious to ensure that the next government will be one dominated by itself. At present, indications are favourable to the short-term success of the CPM and its allies. This is less because of any dynamic initiatives on their part than because of splits in the ranks of their opponents.

In particular, the Congress in Kerala is a divided party. While KPCC President Antony has, through some delicate footwork, managed to make himself acceptable to all except the diehard big-farmer wing of the party, the rest of his colleagues have separated into two broad camps, one under the Home Minister, Karunakaran, and the other comprising of the youth leaders. Among the latter is Vayalar Ravi, whose personal antipathy to Karunakaran is well known.

Sullen Attitude

Behind Karunakaran stand all but one of his four Congress ministerial colleagues, as well as the bulk of the traditional organisational structure of the party. The youth wing has gained control over a few district committees, notably Calicut and Trivandrum, but the bulk of its strength is located in the Youth Congress and the Kerala Students Union, both of which are even publicly adopting a very sullen attitude towards the government.

The maverick among the five Congress ministers is Vaikom Purushothaman, a newcomer to the Congress party. Purushothaman owed his quick rise in politics largely to the backing of the powerful owners of the *Kerala Kaumudi*, Kerala's third biggest newspaper. Paradoxically, it is this very connection which has cast a dark shadow on his political future now. This is because of the so-called 'Adiyodi affair'. Some weeks back the *Kaumudi* published a series of allegations of wrongdoing in the Forest Department and implicitly laid the blame at the door of the Finance and Forests Minister, K G Adiyodi, a Congressman. The charges concerning improper denudation of forests by private contractors were later reported to be untrue, and an outraged Adiyodi made the Kerala Government file a defamation suit against the paper. There had been bad blood between Adiyodi and Purushothaman, and attention naturally focused on Purushothaman as the probable source of the leaks of highly confidential papers to the *Kaumudi*. As a consequence, relations between him and his colleagues got further strained.

Another factor that has gone against the integration of Purushothaman into the Karunakaran group is his close identification with Vayalar Ravi, the *bete noir* of the Karunakaran camp. This privilege has been earned by Ravi because he is regarded as being responsible for the youth wing's frequent attacks on Karunakaran.

Senior party leaders have toned town this antipathy to some extent, so that these days at least externally all is calm between the factions. The finishing stage of "unity" between the factions is the despatch of the state Youth Congress President, P C Chacko, to Delhi as all-India Youth Congress General Secretary. Chacko is being replaced by the mild-mannered V M Sudheeran, whose relationship with Karunakaran is cordial. In contrast, Chacko was one of the fiercest critics of the powerful Home Minister.

Severe Splits

The most severe splits, however, are not those within the Congress but those between the Congress and other Front parties, in particular the CPI and the Muslim League.

The CPI leaders in the state have been making no secret of their disenchantment with the Prime Minister and the working of her government. This has created tension between the CPI and diehard loyalists within the KPCC, tension that has sometimes surfaced into public view. More important than this as a factor marking off the CPI from the Congress is the fact that the two are basically competing for the same base. This is particularly marked in the student/youth and trade union fields, where the Congress, under the aggressive leadership of its younger elements, has seized several unions and units from the CPI. The CPI, therefore, wants strong curbs on the younger elements in the Congress, but as these elements constitute a strong segment in the KPCC, no question of restraint exists.

The Muslim League too is adopting a wary attitude towards the Congress. Strenuous efforts have been made by Congress leaders to bring back the recalcitrant members to a pro-Congress stance, but so far without much success. The main argument used by the Congress ideologues is that the Prime Minister is waging a life-and-death struggle with RSS-Jan Sangh goondaism in Bihar, and that now is not the time to weaken her by jettisoning support for her party in Kerala. League leaders such as C H Mohammed Koya and E A Ahmed have also been using this line in discussions with their party workers and are hopeful of thus stemming opposition for the Congress in League ranks.

It is of course extremely unlikely that — barring a few tantrums — the Muslim League will desert the Congress alliance. The consequences of that on its leadership, and the fear of falling into the clutches of the CPM, will prevent such a total split. The same will apply to the CPI, which too will not want to go as far as a spilt with the Congress. By the time elections approach, therefore, a closing of ranks is likely.

Highest Stakes

The CPM is the party with the highest stakes in the present political struggle. Financially the party is almost bankrupt. Also, there is the threat of a split in its ranks, with the youth-student wing getting restive at the party's "parliamentary antics". The party's strategist, E M S Namboodiripad, is banking on two anticipated developments to stay afloat — one, that the CPM will grab about half the seats in the next Assembly; and two that the power of the Central government will the sharply reduced by the time the new Assembly meets, because of JP-type chaos. Given these conditions, he is hopeful of recreating a powerful financial and organisational base for the party in Kerala.

Namboodiripad's hundred per cent insurance against an election upset was his alliance with the Kerala Congress. With the help of the marginal votes attached to this party in the Malabar side, E M S hoped to increase the Marxist tally of seats there. Again, by preventing the Kerala Congress votes

from going to the Congress in the Travancore-Cochin area, he hoped to diminish the Congress success there.

The split in the Kerala Congress made his calculations go awry. While the John Jacob faction may not win many seats, it will cut into the support the CPM expected in Malabar, and into the seat totals in Travancore-Cochin. This split has been followed by criticism of the alliance of the Kerala Congress with the atheist Marxists by the Christian community. This has led to the fear that large numbers of Christians will abstain from the elections rather than vote for a coalition in which the CPM is the major partner. These developments have led K M George, the Kerala Congress leader, to have second thoughts about an alliance with the CPM. George is now keen on entering the Congress-led alliance, but is, presently at least, being met by a "wait and see" attitude on the part of the Congress leaders.

Source of Worry

A new entrant into the electoral scene has stirred up a considerable amount of dust. This is the National Democratic Party, the political wing of the Nair Service Society. Nairs have traditionally been Congress supporters, and the emergence of the NDP is therefore the source of much worry in the KPCC. The initial response was, as usual, to ignore it. But the NDP's success in the recent corporation elections in the CPM stronghold of Kesavadasapuram, in which it ran an impressive second to the CPM, leaving the ruling parties far behind has encouraged fresh thinking on how to meet this danger. While as yet no formal proposal of a poll alliance has come up, it is expected that the government will agree to the NDP's major plank, which is the extension of reservation for jobs to the economically-weaker sections of those communities now outside the system of reservations. Such a step would greatly increase the popularity of the government among the Nair and Christian communities, and would cut at the base of the NDP. Who knows but after this step the NDP may not merge with the Congress again!

The CPM has lost its revolutionary fervour in the state, and has been identified as no better and no worse than any other of the state's other political parties. There has been much cadre unrest as a consequence of the alliance with the Kerala Congress, and whole units such as the Cannanore one are in a state of simmering rebellion.

Perhaps as a consequence of this, the CPM has not been able to get its anti-government agitation moving in full gear. The demonstration when the Assembly opened was a bare ten thousand strong, small in a state where rallies of a lakh are usual. The attempts to prevent business being transacted in the Assembly backfired, as the ruling front partners quietly ignored the din raised by CPM members and passed several bills in a space of time of about a minute per bill. Once the total quota of business was transacted, the government prorogued the Assembly, leaving the CPM members fuming but helpless. The cynical last word on the entire affair was said by the Finance Minister Adiyodi, who stated that as a consequence of shutting down the Assembly a month ahead of schedule, the state government would save two-and-a-half rupees!

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adventure

LABOUR

Miners in the Lurch

COALMINERS, numbering about 5.5 lakhs, are among the most wretched sections of the Indian working class. Local workers reside mainly in their villages and walk many miles to work each day. Immigrant workers, formerly brought in as the semi-serf CRO labour, continue to live packed in camps. Since labour was plentiful and cheap, and inquiries into accidents produced little results, private mine-owners ignored safety measures with impunity. This tradition is being continued by the governments' mine managements. The result is that the accident rate in Indian coal mines is amongst the highest in the world. More serious than accidents are the occupational/malnutritional diseases — TB and other bronchial disorders.

Numerous workers' struggles, particularly in the Bengal-Bihar region, have forced government to take certain regulatory measures — the latest of these being the Wage Board Award in 1967. In the period before nationalisation, the provisions of this semi-judicial award were barely applied, even in regard to those on the permanent staff of the mines. Many union leaders, whose strength lay in their capacity to bring pressure on the workers, were content to take money from the managements and not press for the implementation of the Wage Board recommendations.

Direct Interest

With nationalisation and the abolition of the CRO system there was an addition to the strength of the workers. At the same time the management was no longer as interested in denying workers their legally due wages. There was no immediate and all-round improvement in wages, but numerous struggles have forced individual managers and area general managers to implement the wage board recommendations. But this improvement was on the whole confined to the workers on the permanent rolls. Contract labour has continued unabated, even in those operations where it was forbidden by the Wage Board. In this sphere, the managers and other officials have a direct interest in the continuation of the system since they get a cut out of the difference between what the workers are paid by the contractor (not more than Rs 5 per day) and the minimum of Rs 8 per worker per day paid to the contractor by the company. Further, the number of casual workers and their turnover have been increased. This profits both managements and union leaders, who are able to regularly sell and re-sell these jobs to the masses of unemployed workers.

With the expiry last year of the Wage Board award, the bipartite negotiating committee for coal mines arrived at an agreement on a new wage structure. According to the agreement, the minimum basic wage would be Rs 325 per month as against the present Rs 130 and total wages would go up from Rs 319 to 384. Certain other benefits like underground allowance and house rent allowance would also be increased.

Longstanding Demand

The new agreement, however, has nothing on conditions of work. A longstanding demand of coalminers, which was rejected by the Wage Board but could certainly be implemented in the conditions of unified management relates to loaders. Loaders, who are piece-rated workers and work at the coal-face, have the highest accident rate among all workers. Those who, as a result of an accident or weakness, become unfit for loading are not taken in any of the higher time-rated jobs. The argument of the private mine-owners at the time of the Wage Board was that since they may not have sufficient time-rated jobs this would be a burden. In the present conditions of a single management it should be very easy to provide alternative jobs for those injured. This, however, does not figure in the new agreement.

Any agreement signed by the public-sector coal-mine management has to be later approved by the Ministry of Finance. The government is unwilling to accept this agreement signed by its own representatives.

Token Strike

Instead of uniting all major unions (AITUC, INTUC, CITU and HMS) to fight for their implementation and to present to the workers a semblance of struggle, AITUC and INTUC decided to go on a one-day token strike on October 7. The strike was fairly successful, but there was no immediate response from the government. The next stage of the agitation was to have been a two-day strike on October 28 and 29, followed by an indefinite strike from November 18. The two unions, not really wanting to press the struggle to a conclusion, have now postponed the next phase to November 25 and 26. The lame excuse given was that the new Energy Minister, K C Pant, had given "an assurance to consider on a top priority basis the implementation of the agreed decisions".

With the Congress opposition to the Railway strike and CPI's half-hearted participation in the same, it would be too much to expect that the INTUC and AITUC will really press on with the struggle for the coalminers' demands. If the demands are even partially satisfied, well and good: it will help these unions increase their membership. But to rely on the workers' strength and increase this strength in the course of the struggle would be dangerous for both the government and union leaders such as those of the INTUC and AITUC.

SUBSCRIPTION RATES

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

Concessional Rates for Teachers and Students

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

Concessional rates are not applicable to students and teachers outside India

The Association of Polyester Staple Fibre Manufacturers

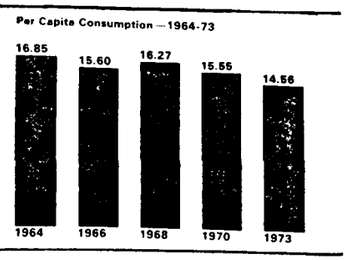
Excerpts from the speech by the President Mr B W Ritchie at the first Annual General Meeting in Bombay on 9th November, 1974.

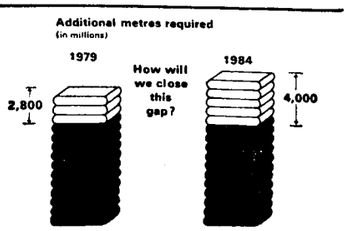
"Given the opportunities the polyester fibre industry can provide the most practical and economic answer to meet our clothing needs."

India's clothing gap

After food, clothing and shelter are basic human needs, and one of the problems we are faced with is how to clothe India's growing millions. The population of our country is outstripping the production of the textile industry. Per capita cloth availability in 1964 was nearly 17 metres. Today it is 14.5 metres. The target for the Fourth Five Year Plan was 17.5 metres. This tells its own story: the growing clothing gap of India's millions.

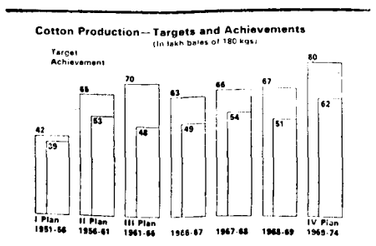
Looking ahead, if we are to achieve the objective of 17.5 metres per head by 1979, we shall need an extra 2800 million metres of cloth and by 1984 an extra 4000 million metres. This represents a 35% increase over the present availability in five years and a 50% increase over ten years. In view of the trends over the past ten years does this seem possible? It is, however, an urgent human problem that the clothing needs of the people must be met—and in the most economical way.





Do we have the resources?

Many expert committees have debated this pressing problem. The traditional answer would call for an assured annual production of 90 lakh bales of cotton by 1979. But the past performance clearly shows the difficulty of this task. Cotton production has averaged around 62 lakh bales for the last five years and there are many other pressing demands on our agricultural resources. The investment required is massive—Rs. 900 crores just to provide the additional equipment in the textile industry—not to mention the substantial increase in power generation and the additional requirements of fuel oil. At a time when the country is passing through severe economic difficulties are there other less demanding options?



Investment for producing extra 2,800 million metres of cotton cloth
Total Rs. 900 crores
for
6 million extra spindles
1 lakh extra looms

1,200 m.kw extra power
1 lakh tonne extra fuel oil

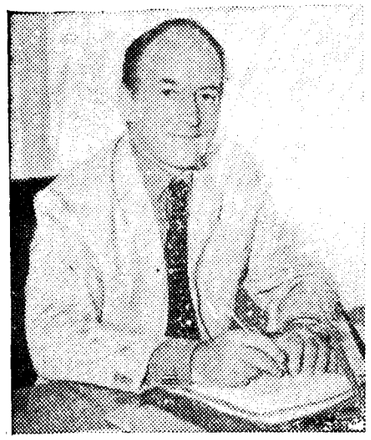
How have others faced the problem?

It is no accident of chance that people throughout the world are increasingly relying on synthetic fibres to meet their clothing needs. The whole world recognises that the prior claim on land is to produce food to feed the growing population. Our compulsions are no less—once we recognise the unquestionable priority for using our agricultural resources to increase food production.

Polyester Staple Fibre—availability 1973

	India	World
Availability	12,000 Tonnes	16,40,000 Tonnes
Population	574 Million	3,700 Million
Per capita availability	20 Gms.	440 Gms.

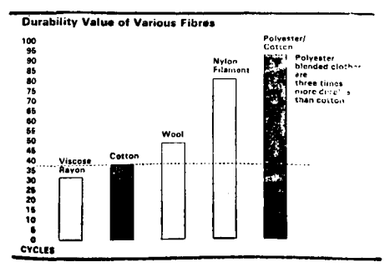
World per capita availability of polyester staple fibre is 22 times that of India.



Although the present high prices of crude have undoubtedly affected petro chemical products and synthetic fibres through out the world, it would be wrong to allow popular misconception to distort our thinking. A mere 0.4% of the total world consumption of crude, is used for the production of synthetic fibres which provide 30% of the world's clothing. And what's more important to us—they do not rely on either agricultural or forest resources. Under these circumstances, can there be any doubt about the importance of the contribution the synthetic fibre industry can make to meet our own clothing needs?

Polyester staple fibre—a luxury or a necessity?

Although still in a stage of infancy in India, the polyester staple fibre industry has already made an impact on the community. Surveys conducted by the Commerce Ministry and organisations such as SASMIRA, as well as our own Association, conclusively show that people, even in the lowest income groups, recognise the significant economic benefits that flow from the extraordinary durability of fabrics made from polyester fibre—in precisely the same manner as people do elsewhere in the world. Unfortunately, whereas in other countries polyester fabrics have been fulfilling the clothing aspirations of the least affluent sections of the community, yet in India today, the weaker sections of our population, cannot afford these benefits. Why is this so, and is it right that this should be allowed to continue?



Polyester prices—some misconceptions

It has been said, that the polyester fibre industry is solely responsible for the high prices of polyester clothing in India. This misconception must be firmly dispelled. A closer look at costs and particularly excise duties, will show that in reality the major responsibility lies elsewhere. Today, polyester fabrics bear excise duty at every stage of manufacture—from DMT to the final cloth—and in less th five years the incidence has risen fro Rs. 50/kg to over Rs. 100/kg of fibre made into cloth. It is primarily the heavy burden of excise duties—adde to the raw material cost which is fou times higher than world prices—whic bears the responsibility for the high prices of polyester fabrics, and has served to deny their benefits to the most deserving section of our population.

Total excise levy on cloth made from 1 kg of Polyester Staple Fibre

1969		1974	Difference
Nil	DMT	Rs. 4.20	
Rs. 28.00	Polyester Staple Fibre	Rs. 40.00	
Rs. 21.00	Polyester Spun Yarn	Rs. 22.50	
Rs. 1.55	Polyester blended cloth	Rs. 34.41	
Rs. 50.55	TOTAL	Rs. 101.11	100%

Effects of present policies

Polyester capacity in India was licensed with the laudable objective of saving foreign exchange by substituting imported cotton and wool. Even today, when the polyester fibre industry is operating at less than 40% of capacity, imports of cotton and wool are still being encouraged while the country is faced with severe problems of foreign exchange. Is it right that scarce foreign exchange resources should be used to subsidise the foreign farmer, at the expense of the country's polyester industry on which Rs 60 crores have been invested?

Not only do we appear to have lost sight of the original objectives, but we are not realising the other substantial benefits which can flow from full utilisation of the industry's capacity. Much has been said about the role that synthetic filament yarns are playing in providing employment to the relatively small art silk sector which caters to the elite. But we seem to have overlooked the potential benefits polyester fibre could provide to over 70 lakh people employed in the decentralised sector of the vast cotton and wool industry.

Polyester staple fibre—a practical answer

Given the opportunities, the polyester fibre industry can provide the most practical and economic answer to meet our clothing needs. Polyester fabrics, with three times the durability of fabrics made from natural and cellulosic fibres, require correspondingly less investment and resources to meet equivalent clothing needs.

It is in the overall interest of the country that the capacity that already exists should be fully utilised. But this will not be possible, until realistic fiscal levies and raw material prices enable the industry to play its rightful and constructive part.

Note: This does not purport to be a record of the proceedings of the meeting.

CHAITRA

Flight from Famine

MANY people from the famine-stricken areas of Maharashtra have migrated into Bombay, in search of food, shelter, and employment. Even now, the stream of people coming to Bombay from the villages is unabated. Most of these immigrants are from the districts of Aurangabad, Osmanabad, and Parbhani of the Marathwada region of Maharashtra. A large number are from Buldhana, Sholapur, and Nagar. Some have even come from Gulbarga in Karnataka state.

A majority of the immigrants are Buddhists; a large number belong to the Matang community (one of the scheduled castes in Maharashtra); and several of the others belong to such backward castes/tribes as Laman, Vanjari, Pardhi or Dhor. A few belong to the upper castes. Some are owners of four to five acres of land, but most are landless labourers or small farmers cum farm labourers.

These people are new to Bombay. They have not moved here out of any knowledge of opportunities but have been driven here out of desperation and hunger at home. Indeed, they seem ignorant of both the opportunities and the hazards of a metropolitan city for persons without established means. Initially, they camped on the railway platforms for shelter. Platforms, from Dadar to Kalyan on the central railway and from Dadar to Borivli on the Western Railway were strewn with these families — without material security, without knowledge of what they could or could not hope for in these alien surroundings. Recently, the railway authorities, with the help of railway police, drove them off the station platforms. The families are now living on the road-sides, or in lanes where the traffic is relatively sparse. They are seen in especially large numbers in the suburbs of Kurla, Bhandup, Thana and Kalyan on the Central Railway line, and in Mahim, Khar, Santa Cruz, Vile Parle, and Andheri on the Western Railway line. At Kurla alone, at least 100 such families have been about for not less than two to three months.

The immigrants have been treated with scant consideration by the railway authorities and the railway police. Many were beaten up mercilessly by the railway police, some were arrested on trivial charges such as 'suspicious movements', and some just disappeared without trace. This correspondent, on one outing, came across two aged people who had so disappeared; the wife of one of them, with four children to feed, reported that her husband had left to get some alms, never to return; the old woman herself is seriously ill. Local goondas and bullies also exploit these newcomers to the city. Their belongings are stolen, or they are induced into shady activities without their realising the implications of what they are doing. A family from Jalna bemoaned that all their belongings had been stolen by goondas on the very night of their arrival. An old man of 70, who has come with his teenage grand-daughter, looks so ill that he might die any time as he goes in search of food and work.

The immigrants, meanwhile, move about in search of work. Sometimes they get work as coolies or hamals. They then earn Rs 3-4 per day. But the work is sporadic and not assured. Besides, many of the rustics do not quite know how to go about winning employment. They subsist, at times, with food obtained from various restaurants and homes — stale food which, instead of being thrown away, comes to them. When they run out of food or work for any length of time, they turn to begging — though, even here, they lack the skills of the accustomed urban beggars. Many of the immigrants are still hardy-looking village men; they do not make good candidates as beggars. It is anyway shameful and insulting for them to have to beg. Thus those who cannot beg skilfully are simply ill with undernourishment and starvation. Many small children are emaciated and dying because their mother's milk has gone dry, and a few cases of infant deaths due to starvation have been reported.

At least 10,000 homeless persons have thus arrived in Bombay. Yet no organisation or party has got exercised about their plight. The government could not, of course; for that would show up that the conditions in the countryside, for which it is responsible, are indeed bad. Hence the Press, too, has not taken this issue. Just a few 'human interest' stories appeared, and that was that. The Yuvak Kranti Dal and some workers of the Socialist Party tried to organise the immigrants; on October 9, they organised a morcha to the Secretariat in order to focus attention on the numbers involved and their plight. A delegation of the morcha met Chief Minister Naik. Naik promptly promised to hold a survey of the immigrants and to provide them with jobs at Tarapur. The survey — ostensibly to find out where the immigrants are from, why they have come here, how they are living — is going on, but seems only a way of postponing the time when the authorities will really have to take action to employ them or to take care of them in some way. Naturally, to date, no arrangement has been made to give jobs to the immigrants. In any case, Tarapur, where the jobs are to be hopefully found, has been entrusted to the State Industrial and Investment Corporation of Maharashtra (SIICOM) for development to attract private industrial projects. The availability of jobs there depends, therefore, on decisions by the private sector. Any immediate fructifying of that source of employment may well be written off.

Meanwhile, reports have it that orders have been issued to all district collectors for provision of work to would-be immigrants under the Employment Guarantee Scheme. The government, which has refused to admit to famine in parts of the state, will obviously not consider starting drought relief work in such areas. In any case, the finance provided under the Employment Guarantee Scheme is reportedly so meagre that it will very likely get absorbed in the 'preliminary work' of the Scheme.

A telling comment on the more militant groups in the city is to be had from the following observation. A bulk — about 95 per cent — of this inflow of people belongs to the scheduled castes. Yet, even an organisation such as the Dalit Panthers, dedicated specifically to the uplift of the Dalits, has not bothered to take note of these brethren. There are many so-called Republican Party people too among these immigrants; but they do not know where their 'leaders' are located in Bombay, nor what they might rightfully expect as support from these 'leaders'.

The districts mentioned earlier have experienced drought conditions since 1970. A drought is torture to the small farmers and landless labourers, whose only option is to leave their villages and homesteads — moving from place to place in search of food, shelter, and work. By experience, famines are almost more regular than the monsoons. And while much more sweeping land reform and restructuring of agricultural activities will have to take place before the famines can be prevented from regularly stalking the countryside, the least that political activists and parties can do till then is to educate and organise those affected by the famines today in their own areas so that the day of deliverance might be brought closer.

MALAYSIA

Electoral Arrangements to Fudge Class Lines

Ratna Dutta

THE National Front, which recently won the general elections in Malaysia, is the outcome of sustained efforts to dilute communal tension by giving to the leaders of such opposition adequate representation in government. This Malaysian method of containing communal rivalry makes interesting study.

The communal conflict in Malaysia is among the three national 'minorities' of the Chinese, the Indians (mainly Tamilians), and the Malay Muslims who are in fact the original inhabitants of the Peninsula. The Malays constitute 46.8 per cent, the Chinese 34.1 per cent, and the Indians 9 per cent of the population (1970 census). The rivalry, however, is mainly between the Malays and the Chinese, and stems from the fact that whereas the Chinese hold the economic levers in their hands the Malays dominate the government and politics of the country. The communal calculus thus plays a major role in the electoral process.

During the Municipal elections in Kuala Lumpur in 1952, the Malayan political party, the United Malay National Organisation (UMNO), and the Chinese party, the Malay Chinese Association (MCA), formed an electoral alliance between themselves to confront the ideology of the non-communal Independence of Malay Party (IMP). The approach of the alliance was the straightforward one of putting up Malay candidates in predominantly Malay constituencies and Chinese candidates in predominantly Chinese constituencies — on the assumption that the electorate was prone to trust representatives from their own community. It was the success of the electoral alliance in the Kuala Lumpur Municipal elections which gave the impetus to the Alliance Party.

The Alliance Party consists essentially of a collaboration among the three communally based political parties — the UMNO, the MCA, and the MIC (Malayan Indian Congress). One might underline the fact that the initiative for the Alliance came from the Malays who are the single largest community in Malaysia. The Malay political elite continued the strategy, adopted in the 1952 Kuala Lumpur Municipal elections, at the 1955 general elections when it was not really necessary for electoral victory. For, in 1955, the Malays consisted of 84.2 per cent of the electorate, with, at that time, 75 per cent of the Indian and Chinese citizens under 21 years of age. The UMNO thus, could well have swept the polls on its own at that time, but it chose an alliance with MCA and the MIC. That is how all the communities happened to be represented in Parliament and Cabinet — each through its own political organisation — during the crucial months preceding the drawing up of the 1957 constitution and the transformation of the country from dependent to independent status. There was, therefore, relatively little bickering among the communities over the terms of the 1957 Constitution. One might even assert that the agreement among the communities on the provisions of the new constitution was arrived at beforehand, by the peculiar mechanism of the Alliance Party system which had captured the necessary representation in the legislatures.

For more than a decade the Alliance Party system worked well to keep the lid on communal ill-feeling. By the end of the sixties, however, the increasing gap between the aspirations and the economic wellbeing of the masses put a greater load on the Alliance system. During the 1969 general elections, it became clear that the upper-class Alliance members were losing popularity among the masses of all the communities. The discontent among the masses was taken advantage of — ironically — by political entrepreneurs with extremist communal leanings. The Alliance emerged from the May 1969 elections with greatly reduced strength in the Parliament and the state legislatures. More seriously, the victory parades at the end of the elections led to communal violence, so severe as to invite the declaration of 'national emergency' by the government and the temporary liquidation of Parliament and other institutions of 'democratic government'. Tunku Abdul Rahman resigned, leaving Tun Abdul Razak in charge during the 21-month emergency period.

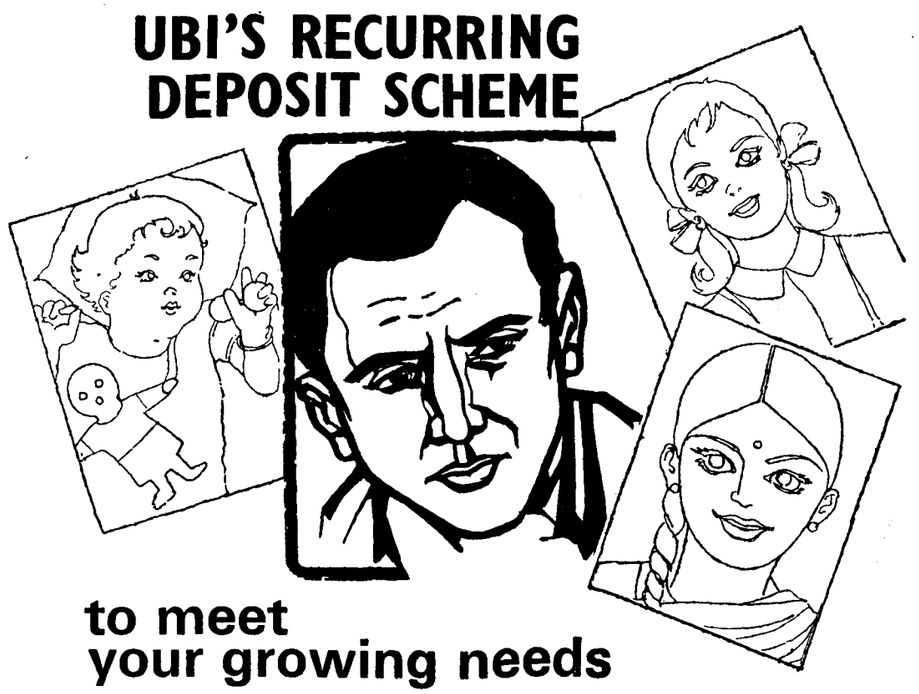
While Razak allowed the extreme communal parties to form governments in the states where they had the support of the majority in the legislatures (namely Kelantan and Penang), he must have even then started to plan the Nationalist Front. The Nationalist Front, which captured power in the elections recently, consists of a coalition of nine parties. Significant among these are the Pan-Malaysian Islamic Party (PMIP), the Parti Gerakan Ra'ayat, and the People's Progressive Party (PPP).

The PMIP is the spokesman for extreme Malay communalism and Malay poverty. The PMIP articulates the interests of the relatively backward east coast states of Kelantan, Trengganu, Kedah, and Perlis. These states are inhabited mainly by Malay peasants who are devout Muslims and have little modern education. Party campaigns reach them through the *kampong* (village) school and religious teachers. They promise them an exclusively Malay-dominated Islamic state, to ease rural poverty and to clip the wings of Chinese trading activities. UMNO's answer to the PMIP challenge has been a greatly accelerated rural development programme. But development programmes in Malaysia, as elsewhere, are no panacea for rising aspirations. The PMIP leaders have been suggesting that Chinese contractors, Chinese traders, and Chinese, and Indian labourers, have been the beneficiaries of the rural development programmes. So eventually, Tun Abdul Razak resorted to the traditional Malaysian strategy, offering PMIP leaders seats in the Treasury Benches. Razak concluded an agreement with PMIP in December 1972, to form coalition governments both at the federal and state levels. The PMIP was represented in Razak's Cabinet by its President, Dato Haji Mohammad Asri, who gave up his demand for an Islamic state in Malaysia.

Non-Malay opposition to the Alliance comes from the PPP, the Gerakan, and the Democratic Action Party (DAP). Among these, only the DAP held ground and refused coalition with the Alliance. It will now function as the legal opposition (with nine members) in the Parliament. The first coalition agreement with the non-Malay opposition was reached as early as in February 1972. This was the coalition government, formed by Gerakan and the Alliance in Penang "in the interests of national unity, stability and security". The coalition was active both at the federal and the state levels. Later, coalition agreements were reached with the PPP and the Sarawak United People's Party, with deep roots in Perak and Sarawak,

respectively. The recent elections were tactically held 18 months ahead of schedule, to seek the voters' support for the Nationalist Front which has been functioning for the last two years.

The Malay ruling circles thus seem to have learned from the May 1969 disaster that there was need for greater vigilance in order to allay racial tensions. What is important in Tun Abdul Razak's success is not merely that the Barison National (National Front) should have swept the polls, gaining majorities in all the 11 states and in the Parliament, but that the bitter edge of communal ill-feeling will have been electorally blunted for some years at least for lack of spokesmen — either for its cause or to turn it to a class war spanning all the communities.



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5	63	130	207	289	378	491
10	125	261	414	578	757	983
20	251	521	827	1155	1513	1966
30	376	782	1241	1733	2270	2949
40	501	1043	1654	2310	3027	3932

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New Garb of Imperialistic Historiography

C S

Locality, Province and Nation: Essays on Indian Politics, 1870 to 1940 (ed) John Gallagher, Gordon Johnson and Anil Seal; Cambridge University Press, 1973; pp vi + 326; £ 3.50.

IT is a shame that the study of Indian nationalism still remains what it always has been: an arena for the clash of interests and ideologies. That this very simple fact has some unsuspected ramifications which, precisely because they are unsuspected, subtly and insidiously colour the perception of even eminent Indian historians should be clear to any serious student of the historiography of Indian nationalism. The intellectual history of modern India and the dynamics of material self-interest have combined inextricably to create a situation in which intellectual and extra-intellectual factors, at both the conscious and the sub-conscious planes, operate to blur the perception of the actual phenomenon of Indian nationalism. This is about the pithiest explanation possible of the basic contradictions that characterise the writings of most Indian historians on the subject. For these contradictions are more or less the projections of the material and intellectual predicament of their authors.

In this twilight of historical perception, which is sustained by the continuing interaction between intellectual unclarity and material pressures, one shudders to think of the possible consequences of the appearance of a sinister volume from the Cambridge University Press; especially because it is bound to retard the growth of Indian historiography of Indian nationalism.

This is bound to happen because modern Indian historiography has by and large been derivative or/and reactive. Given their situational placement in terms of the intellectual-material complex which sustains the twilight of perception, Indians will either perpetuate the spurious history that Anil Seal and Co have been for some time busy manufacturing; or else they will waste precious human resources on disputing and disproving it. The problem is a real one, rooted as it is in the contemporary Indian situation with the experiential texture and pattern of responses that it makes available to the average individual.

The statement is not one of doom. It contains within it elements of voluntaristic emancipation. For history is a kind of perception the clarity of which is commensurate with the degree of self-understanding achieved by the mind attempting the perception.

From these preliminary remarks it follows that while the volume under review possesses substantial potential for mischief, it does not deserve a detailed refutation. Those who are not carried away by forceful English alone or by an English print line will have no difficulty in realising that the authors of this collection of essays have adopted a very limited approach to the study of modern Indian history, and have in the process distorted the very reality of it. Since the dimensions ignored by them happen to be of glaring significance, and the final picture that emerges from these studies considerably rehabilitates British imperialism — occasional jibes at it notwithstanding —, it is too much to believe that purely methodological considerations have gone into the adoption of this particular approach, and that the resultant distortion of reality has been only fortuitous.

There are, it seems, two broad divisions of British imperialistic historiography so far as the study of Indian nationalism is concerned: Liberal and Tory. Liberal imperialistic historiography recognised the emergence of what was called New India, and attempted to present it as the result of a carefully planned British Indian policy. Notable contribution has been made to the development of this trend of imperialistic historiography by eminent Indian historians though among themselves they might have nothing in common except their homage to the tenets of Liberal imperialistic historiography.

The Tory imperialistic historiography premised quite early in the day that India was a notion and utterly incapable of ever becoming a nation. One should have hoped that 1947 had irretrievably buried this notion of Tory imperialistic historiography, and that names like Herbert Risley and John Strachey would give way to John Seeley who at least had the merit of logical caution when he posited a dichotomous relationship between imperialism and nationalism even as he thought, or hoped, like Risley and Strachey that Indian conditions were inimical to such an eventuality. The hope has been belied by the emergence of reincarnations of the Risleys and the Stracheys who, so late in the day, have denied the reality of Indian nationalism.

Pretending to be inspired by Lewis Namier, the authors of the Essays under review have made no attempt to apply the methods with the help of which Namier had arrived at his conclusions. They have conveniently overlooked the fact that each 'historical universe' demands its own methods and methodology, and that conclusions reached elsewhere cannot just be imposed on it. They have talked of a matching structure of politics which Indians of necessity had to devise because they had to deal with the *raj* at various levels. This was done through linkages at the local, provincial and national levels. And at each level could be seen in operation a patron-client model, the model operating in response to the pursuit of power and interest. There are some deviations, as in C A Bayly's article on 'Patrons and Politics in Northern India', which permit a less constricted look at the objective reality. But there is no major departure from the basic approach to the study of Indian politics between 1870 and 1940, which has been admirably presented by Anil Seal in his opening article in the volume. In the process Seal has moved somewhat away from his position of 1968. (See "The Emergence of Indian Nationalism" reviewed by Sudhir Chandra in *Economic and Political Weekly*, September 7, 1968, pp 1363-64.) Though he has done so for the wrong reasons; and his 1968 stance retains the dubious merit of looking at the reality from the narrow angle of politics. It is significant that the Essays deal with politics and do not talk of nationalism.

This is a narrow framework, too narrow to comprehend the historical reality in its totality. While almost touching — and in any case implying their validity —, the fringes of arenas that lay apart but not in isolation from politics, this framework takes care of only the political dimension of the complex situation that gave birth to modern Indian politics. True, in any colonial situation, the interrelation between the structure of imperial authority and the matching structure of politics devised by those obliged to

react to the presence of imperialism cannot be ignored. Also, the role of interests becomes crucial in this interrelation. But no aspect of 19th-20th century Indian socio-political history can be studied without taking into consideration the emergence of a new category of social cohesion with its own phenomenon of group consciousness, as also its changing relationship with the phenomenon of traditional social cohesion and group consciousness. A very significant aspect of the study of pre-1947 Indian politics — and it can never be emphasised too much that this politics forms an integral part of the rise of nationalism in India — is provided by the simultaneous weakening of traditional loyalties and the gradual stabilising of new group loyalties. In other words, there were constraints within which perceived material interests were able to operate: the structure of traditional authority within the colonial society dictated the limits within which a member of it could act in accordance with his perception of his own interests. Not that the structure of traditional authority was a fixed quantity. It was also responding to the forces unleashed by the imperial authority, and was consequently losing not only some of its traditional areas of control, but also the degree of its control in areas in which it continued to wield influence. Whatever the pace and nature of this diminution of traditional authority, the mentality of people responding to the existence of imperialism was only slowly modified by the new situation. The old grooves of thought were only slightly flattened by the ethos coming in the wake of foreign imperialism. What is perhaps more important, the continuing hold of traditional social units and the mentality associated with their survival influenced the kind of response elicited by imperialism. More than mere interests, or pursuit of power, would be required to explain pre-1947 Indian politics.

What is needed is a series of attempts at discovering the totality of the situation which made possible the emergence of what is conveniently called modern India. Piecemeal efforts are unlikely to help in the reconstruction of the historical reality of modern India. Motivated or otherwise, they will continue to distort both the perspective and the reality.

Prisoner Can Do Nothing for Himself

A G Noorani

Amnesty International: Annual Report, 1973-74; Amnesty International Publications, 53, Theobald's Road, London, WC 1, X, 8SP, UK; pp 88; 75p ($ 1.85).

IF the Government of India found Amnesty International's figures of political prisoners who have been detained without trial in West Bengal to be a "gross exaggeration", it is clearly out of wilful choice. Amnesty International's Secretary-General, Martin Ennals, sent Amnesty's findings to Prime Minister Indira Gandhi, but received no reply.

Amnesty's Annual Report for 1973-74 gives a fair picture of its concern and its techniques. As Ennals writes in his Introduction: "The full and part-time staff of the International Secretariat now numbers some 70 persons, including an Information and Publications Department, a Campaign Staff for the Abolition of Torture, a Special Co-ordination Unit to work closely with sections and groups, separate research units on Africa, the Americas, Asia, Europe and the Middle East, and volunteers ... Amnesty International has always been fortunate in its staff: young people, on the whole, who have acquired before joining the Secretariat a degree of expertise in their field of work, which has to be adapted to the rather specialised needs of the organisation. An International Secretariat of some 16 nationalities, covering the problems of 100 countries, and unable to offer the advantages of international salary scales and allowances, is not easily recruited or maintained."

Amnesty has a Research Department headed by Stephanie Grant. Her comments deserve particular attention in view of the controversy over the report on West Bengal: "In the year covered by this report, June 1973-May 1974, Amnesty International took action directed towards the release of prisoners in over 100 countries: 26 missions were sent to observe trials, negotiate with governments and collect information in a total of 27 countries, 2,190 prisoners' cases were written up for groups, and 1,080 of those already under adoption or investigation were released. As this report is written, 1,483 AI groups are working for a total of 3,640 prisoners, a figure which represents a net increase of 900 since May 1973." She adds: "Except where a political situation has undergone radical change during this period, we do not describe the phenomenon of political imprisonment in each country, but rather report the action taken by AI to change it. So, in the case of Chile, where AI has faced an entirely new situation since September 1973, the political context of imprisonment is shown in more detail than, for example, in the USSR, where the form taken by political persecution remains constant. Figures for the total number of prisoners in a country have been given only where the Research Department can support the estimate with facts."

Such is the meticulousness of the organisation in ascertaining the facts. The least that could be expected of the authorities in ostensibly democratic societies is co-operation with it in the sifting of evidence. The Report consists mostly of situation reports, country-wise, which are written with an impartiality which compels admiration. The persecution of dissenters in the Soviet Union by the vilest of methods (such as internment in mental hospitals), and the brutalities perpetrated by the military junta in Chile, are set out here for all to read.

Of India the Report says: "Some 1,740 Left-wing political prisoners held in West Bengal were to be released under an important decision of the Supreme Court which ruled on April 19, 1973, that arrest under the Maintenance of Internal Security Act (MISA) was illegal. But most were immediately re-arrested either under other sections of the same Act or on different charges. In October, Secretary-General Martin Ennals wrote to the West Bengal Home Minister asking for information about 66 cases. AI estimates the number of political prisoners held in West Bengal to be as high as 20,000, of whom 18,000 have not been charged in court. Most detainees are held under preventive detention legislation, in force since the ending of the Pakistan war: the Defence of India Rules and the Maintenance of Internal Security Act. But those prisoners accused of Naxalite activities are held on a variety of criminal charges. AI knows of very few cases where prisoners were brought to trial. In a letter to the West Bengal Chief Minister in February 1974, Martin Ennals expressed AI's great concern about the situation and urged that the prisoners be brought to trial as soon as possible, or, in the absence of criminal evidence, be released immediately. Many have already spent some three years in prison without trial.

"The first general railway strike, which started on May 8, 1974, at a time of economic crisis, provoked a very strong government reaction and massive arrests. AI estimates that 30,000 trade unionists were detained, most held under preventive detention laws. Those arrested included not only members of the strike action Committee and leading trade unionists — like George Fernandes, a Member of Parliament, who is also a member of Amnesty International — but also railwaymen who participated in the strike. Martin Ennals sent a telegram and a letter protesting strongly against the arrest of people 'for exercising what are generally recognised as legal trade union rights'. The International Secretariat organised an urgent action campaign for all national sections to demand the immediate release of all prisoners held under preventive detention. On May 27, the strike was called off. Although large numbers of prisoners were released, among them Fernandes, some thousands remain in detention, charged with specific offences."

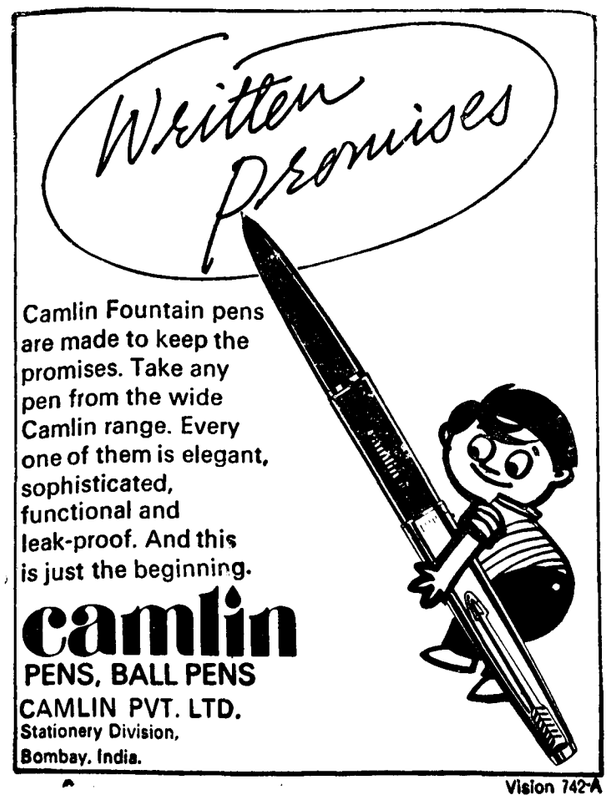
Pakistan's record in civil liberties has long been a sorry one: "Under the emergency, the Defence of Pakistan Rules (DPR) remain in force, and their application is presently AI's main concern in Pakistan. These rules provide for preventive detention and place the burden of proof on the defendant in a bail application. Special tribunals are empowered to deal summarily with offences carrying prison sentences of more than seven years. ... These powers of arrest and detention are being used broadly to detain dissenting editors, journalists, publishers, politicians and even lawyers and judges, some of whose cases AI has adopted. It is significant that all 100 *habeas corpus* petitions before the High Court of Sindh and Baluchistan from January 1972 to June 1973 were successful as the court could find no grounds for detention. The short prison terms mean that AI groups are working for only 15 cases, a figure which in no way reflects the scope of political detention under the DPR."

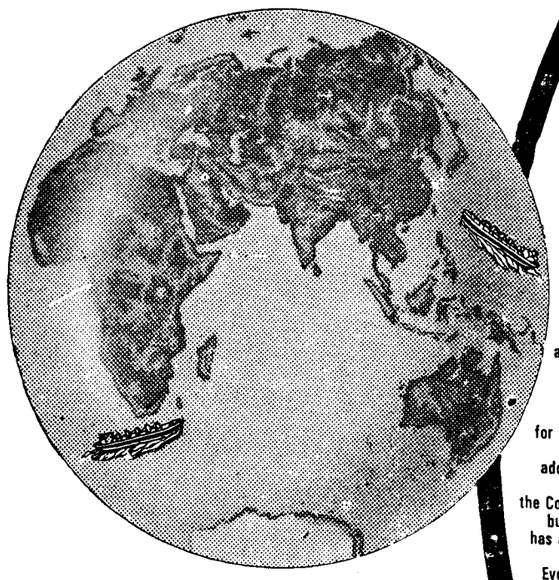
The situation in Bangladesh too is far from happy: "Political prisoners are not, however, only detained under the Collaborators Order. A progressively deteriorating law and order situation has led to the enactment of President's Order Number 50, originally devised to deal with offences like hoarding and black-marketing. Its wide powers of arrest, detention without trial, and denial of bail were increasingly used to detain large numbers of members of the left-wing opposition, particularly the JSD (Jatijo Samajtantrik Dal), a matter about which AI expressed concern to the Prime Minister in December. In February 1974, Presidential Order Number 50 was repealed, but immediately replaced by two orders which were severely criticised by various prominent persons and organisations inside Bangladesh, such as the Bar Associations.

"The Special Powers Act, passed in February 1974, allows for detention of people without trial — in fact, indefinitely but with certain legal safeguards — to prevent them from indulging in 'anti-state activities' and from printing or publishing reports which are deemed prejudicial. At the same time, the Rakkhi Bahini, a para-military armed force, was endowed with very wide powers of arrest and detention under the Rakkhi Bahini Amendment Act, and its members were allowed immunity for their actions from scrutiny by the courts. These new powers were used both to detain journalists — Shamsul Alam, editor of the weekly *Nayajug*, and Al. Mahmud, editor of *Ganakantha*, are both presently adopted by AI groups — and an estimated 2,000 members of the JSD, including its leaders A S M Abdur Rab, M A Jalil and Mumtaz Begum. They were arrested by the Rakkhi Bahini following a JSD protest demonstration at the house of the Home Minister on March 17, 1974, in which at least five JSD supporters were killed. AI, at the moment of writing this Report, is still collecting details about these last arrests. It has learned with pleasure that a Committee for Civil Liberties and Legal Aid, called 'Samakal', and consisting of prominent Bengali citizens, has been formed in Dacca, its main aim is to provide legal aid to prisoners held without trial."

The Amnesty's Report is thus a most useful document and makes one feel thankful that there is an organisation such as this working the way it has been working for nearly a decade and a half. For truly, as the Report says, the political prisoner "can do nothing for himself: our freedom gives us both the opportunity and the duty to do what we can fashion."

The establishment of an Indian Section of Amnesty was due almost entirely to the untiring efforts of Mridula Sarabhai. It makes one sad to think that this valiant fighter for liberty is no more.





THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

NILHAT SHIPPING CO. LTD.

(Incorporated under the Companies Act, 1956.)

Regd. Office: 'Nilhat House', 11, R. N. Mukherjee Road, Calcutta-700 001.

ANNOUNCEMENT REGARDING THE ISSUE OF 10,20,000 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT PAR

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and Director of oth[illegible]mpanies.

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Bank of India, 70/80[illegible]ma Gandhi Rd., Bombay-400 023.
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Auditors
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Issue House
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	Amount underwritten (Rs. in lakhs)
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Paterson & Co., Vanguard House, 11/12 Second Line Beach	...
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Bangalore	
M. Nanjappaiah Jahgirdar, 205, Cavalry Road.	...
Vijai & Co., 9, Eleventh Main Road, Malleswaram	...
	102.00

The above underwriters brokers (except the Financial Institutions, Insurance Companies and Banks) are also acting as Brokers to the Issue.

How to Apply

1. Obtain copies of Prospectus and Application Forms from the Registered office of the Company and/or from the Brokers, Underwriters, Bankers and Managers to the issue mentioned above.

2. Fill and sign the Application Forms (Applications must be for 50 shares or for multiples of 50) and deliver them together with Cash or Bank Draft or Cheque at the rate of Rs. 5/-per share to any of the branch of Banks listed in the application form: Cheques and Drafts should be drawn on Bank/s situated in the town where applications are submitted.

Opening Date
Monday, the 18th November 1974

Closing Date
Thursday, the 28th November, 1974, but not earlier than Thursday, the 21st November. 1974

History:
The Company was promoted by J. Thomas & Co. Pvt. Ltd., Calcutta, on 20th August, 1973, and commenced its business on 10th October, 1973.

Objects of the Issue:
The Issue is being made for providing finance required for working capital, repayment of unsecured loans from the promoters, and to meet part of commitments on foreign currency loans.

Project and Progress:
In February 1974 the Company purchased two 24,600DWT sister-ships namely M. V. Falkanger and M. V. Fossanger (since renamed as M. V. Alexandra 'N' and M. V. Charisma 'N') respectively)from M/s. Westfal Larsen & Co., A/S of Bergen, Norway, each at a price of U. S. $ 7,200,000. Identical in all essential respects, each ship is equipped with the latest navigational aids and cargo handling equipment. The Company has entered into two separate Agreements in December, 1972 with Messrs. Himoff Maritime Enterprises Ltd.—a large American Company, under which the Company chartered both the ships at very attractive rates for a period of 24 months for world wide trading within Institute Warranty limits. Under the terms of the Time Charter Agreements, the cost of bunker fuel is entirely on account of the Charterers. The Company has also entered into an agreement with Mackinnon Mackenzie & Co. Pvt. Ltd., Bombay, a Member of the P & O Group, one of the largest shipping combines in the world. Under this agreement, the Company will have the benefit of their association in all operational aspects of international maritime trade.

Prospects and Profitability:
Shipping Industry in India is still in a nascent stage and the scope for profitable expansion appears to be limitless. The estimated 5th plan target for Indian Shipping is 8.6 million tonnes GRT which means adding a million tonnes of shipping strength each year to the country's tonnage. Based on their faith in the shipping future in the country, the Company is planning to initiate negotiations for purchase of additional bulk carriers of similar tonnage in the immediate future. The Company has also plans to diversify in other correlated shipping activities such as coastal shipping, inland water transport and chartering in of ships. Even on its present operation of two bulk carriers, the projected return on capital employed is quite remunerative in the overall context in India. Considering the commercial expertise and knowledge of the Directors and the Company's operating agents, the growth prospects appears to the bright. The Directors consider that, barring unforeseen circumstances, the Company would be in a position to pay a reasonable dividend after the second year of operation. Development Rebate is admissible to the Company in respect of the two ships purchased.

Share Capital:

Authorised:	
20,00,000 Equity shares of Rs. 10/- each	Rs. 2,00,00,000
Issued, Subscribed and fully paid-up:	
6,80,000 Equity shares of Rs. 10/- each	Rs. 68,00,000
Present Issue:	
10,20,000 Equity shares of Rs. 10/- each	Rs. 1,02,00,000

Terms of Payment:
On application: Rs. 5 per share
On allotment: Rs. 5 per share

Applications are being made to the Calcutta [illegible] Bombay Stock Exchanges for permission to deal in and for an official quotation for the Equity shares of the Company.

ISSUE MANAGED BY:

CHAMPAKLAL INVESTMENT & FINANCIAL CONSULTANCY LTD.

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Imageads

Educational Opportunities for the Scheduled Castes

Role of Protective Discrimination in Equalisation

Kusum K Premi

Marked progress has been made by the scheduled castes in education, as is manifest from the rise in their literacy rates, enrolment co-efficients and the proportion of their numbers in Class I and II categories of jobs in Central and state services.

Two questions still seem relevant from the oint of view of equalisation of educational opportunities for the scheduled castes vis-a-vis *others.*

(1) To what extent can this educational progress be attributed to the special concessions?

(2) Is the scheme of special facilities conceived in the spirit of ensuring equality to all the members of the scheduled castes or, in the process, do they suffer from deficiencies that tend to create certain subtle inequalities among them?

FOLLOWING the guiding principles of State policy enshrined in our Constitution which assure social justice and equality of opportunity to all, several special facilities are offered to the scheduled castes in higher education[1] to help them overcome the handicaps arising from deep-rooted inequalities and to enable them to secure the same opportunities and position in life as others. Marked progress has been made by the scheduled castes in education, as is manifest from the rise in their literacy rates,[2] enrolment co-efficients[3] and the proportion of their numbers in Class I and II categories of jobs in Central and state services.[4]

Two questions still seem relevant from the point of view of equalisation of educational opportunities for the scheduled castes *vis-a-vis* others.

(1) To what extent can this educational progress be attributed to the special concessions?

(2) Is the scheme of special facilities conceived in the spirit of ensuring equality to all the members of the scheduled castes or, in the process, do they suffer from deficiencies that tend to create certain subtle inequalities among them?

Both these questions are pertinent today. The first one, because time and again we are confronted with the question whether to continue or discontinue the facilities and privileges, as it is stressed that these are justified only as long as they remain temporary.[5] Heated arguments often take place in Parliament on the working of these privileges and on the question of their continuance. There are some who not only want these privileges to continue for an indefinite period but also plead for widening their scope; there are others who wish them to be scrapped as they have been in operation long enough. In view of the heavy pressure on public resources and all round narrowing of opportunity in the Indian economy the second group seem to be gaining ascendancy.

The second question assumes importance because, of late, a number of social scientists are becoming critical of the manner in which the whole scheme of distribution of educational privileges is operating and are expressing misgivings about its outcome. Suma Chitnis, on the basis of an empirical study of Maharashtra, has attacked the post-matric scholarship scheme, the central pillar of educational facilities for the scheduled castes at the higher stages. She has shown that scholarships are not optimally and equitably used and are creating new inequalities.[6] Reservation for the scheduled castes is causing much tension as competition for higher education and training intensifies. Relaxation in marks poses great problems for the scheduled castes students themselves and, it is generally feared, it has resulted in the lowering of standards.

The role of protection and publicly-provided privileges in the field of edution could have been determined if a control group of the scheduled castes who were not using a particular category of facilities could be isolated. Such a group, however, is hard to come by as almost all the scheduled castes students use some special privilege or the other. A second possible alternative is to compare pre-concession education growth with post-concession education growth. But that too is not without serious limitations because special status to the scheduled castes was accorded mainly after Independence and, since then, many other factors like general awakening, industrialisation and urbanisation, etc, have started playing their role in the overall educational growth. In the absence of any other objective criteria, the extent of educational development of the scheduled castes due to special facilities is measured by the awareness, actual utilisation, and perceived importance of these by the pupils belonging to scheduled castes themselves.[7] The assumption here is that "legislation is a partial or incomplete agency of change in the sense that it creates new situations or provides for change in the desired direction but does not, in a comprehensive sense, ensure the process of change which includes awareness, knowledge, and acceptance".[8] Awareness is essential for utilisation, and utilisation, in turn, helps to know what obtains in actual practice and to detect possible gaps between theory and practice. Perceived importance of the concessions help us understand the group's subjective judgment about the importance of the facilities in their educational career.

Answer to the second question is attempted both on the basis of certain empirical findings as also on certain *a priori* considerations. The caste and class pattern of use of facilities is analysed to see whether the same are being used equitably. A critical analysis of the

TABLE 1: AWARENESS OF DIFFERENT TYPES OF EDUCATIONAL FACILITIES AVAILABLE TO THE SCHEDULED CASTES

Type of Educational Facilities	Number				Percentage			
	Morning	Evening	Professional	Total	Morning	Evening	Professional	Total
1	2	3	4	5	6	7	8	9
(1) *Financial*								
(i) Freeships in schools	61	59	43	163	87.1	80.8	65.2	78.0
(ii) Stipends in schools	67	65	55	187	95.7	89.0	83.3	89.5
(iii) Post-matric scholarships	62	65	64	191	88.6	89 0	97.0	91.4
(iv) Free books or book loan	11	12	7	30	15.7	16.4	10.6	14.4
(v) Assistance for hostel	8	4	15	27	11.4	5.5	22.7	12.9
(2) *Reservation*								
(i) Principle of reservation	48	62	55	165	68.6	84 9	83.3	78.9
(ii) Exact percentage of seats reserved	23	33	30	86	32.9	45.2	45.5	41.1
(3) *Relaxation in marks and age*								
(i) Principle of relaxation in marks	31	42	43	116	44.3	57.5	65.2	55.5
(ii) Exact percentage of relaxation in marks	11	15	16	42	15.7	20.5	24.2	20.1
(iii) Principle of relaxation in age	28	55	42	125	40.0	75.3	63.6	59.8
(iv) Exact age relaxation allowed	11	29	23	63	15.7	39.7	34.8	30.1
(4) *Special coaching facilities*	18	29	21	68		39.7		
(5) *Midday meals and free clothings*	7	8	3	18	10.0	11.0	4.5	8.6
Total number of respondents	70	73	66	209				

education facilities made available to the scheduled castes is attempted to focus on certain inherent shortcomings in the scheme.

In the end certain suggestions are put forward to make the schemes more effective and their distribution more equitable. For this purpose suggestions received from the respondents have proved to be valuable.

AWARENESS OF VARIOUS CONCESSIONS

Analysis of the data collected in the present study shows that there is general awareness of the financial concessions, specially of stipends, scholarships and freeships. A few, however, are aware of the other privileges like free meals and clothing, free books, book loans and assistance to stay in the hostel. Three-fourths of the respondents are aware of the principle of reservation of seats in colleges and jobs though only half of them know about the exact percentage of seats or jobs reserved for them. About 60 per cent of the respondents have awareness regarding the principle of relaxation of marks and age while, again, only half of them know about the exact degree of relaxation. Only one-third of the respondents are aware of the availability of coaching facilities (Table 1).

Greater awareness of freeships, stipends and scholarships suggests that these facilities are universally available and widely used. Lesser awareness of other financial facilities suggests that either these particular facilities have not been properly publicised or they have not been introduced at many places.

Marked differences between the morning group on the one hand and the evening and professional group on the other are visible in awareness of reservation and relaxation. These may be explained by the fact that it is the latter groups which use these facilities in view of restricted admissions as also that they are more clear about job potentialities for themselves.

UTILISATION OF FACILITIES

A majority of respondents has used financial concessions, such as freeships, stipends at high school, and scholarships in college. However, none among them used free meals or free clothing. Only 12 respondents ever had the opportunity to utilise book loans for purchase of books. Hostel facilities are utilised by ten per cent respondents but only 4 cases out of a total sample of 209 took advantage of coaching facilities (Table 2).

All the engineering college students, teacher trainees and some of the law students, who were covered in the survey, got admitted to the respective courses from the reserved quota. All the engineering college students and most of the teacher trainees also utilised relaxation of marks facility for their admission. Some of the post-graduate students in general subjects also got admitted on the basis of relaxation of marks. Age relaxation has been utilised by a lone case from the evening group.

Since financial concessions are utilised by most, it indicates that the majority of the scheduled castes belong to low-income group and economically it would have been very hard for them to get education, specially higher education, without the assistance given to them in the form of freeships, stipends and scholarships. Use of hostel facility by only a few seems to suggest that hostel assistance is not enough to motivate the scheduled caste students to come to stay in hostels. Depressingly, a substantial number of respondents stay in rented rooms — two or three living together — which is not very congenial from the point of view of studies. Many of the students commute from Kharar (a town at a distance of about 12 km from Chandigarh) or nearby areas since they find it cheaper to live with their parents. This tends to generate a type of regional inequality in which persons living within commuting distance can make greater use of educational facilities offered by big cities and towns whereas others have to content themselves with lower educational attainments.

The facility of book loan is either restricted to a few places or not given enough publicity. There is, therefore, need to find out where the book loan facilities exist and also their extent. Further, these facilities should be made more widespread as obviously books are essential for proper education.

The use of reserved quota and relaxation of marks criteria by the professional group points to the importance of these concessions in entry to the professional courses. On the other hand,

TABLE 2: UTILISATION OF DIFFERENT TYPES OF EDUCATIONAL FACILITIES AVAILABLE TO THE SCHEDULED CASTES

Types of Educational Facilities	Number				Percentages			
	Morning	Evening	Professional	Total	Morning	Evening	Professional	Total
1	2	3	4	5	6	7	8	9
(1) *Financial*								
(i) Freeships in schools	56	58	49	163	80 0	79.5	74.2	78.0
(ii) Stipends in schools	58	63	53	174	82.9	86.3	80.3	83.3
(iii) Post-matric scholarships	55	64	58	177	78.6	87.7	87.9	84.7
(iv) Free books or book loan	3	5	4	12	4.3	6.8	6.1	5.7
(v) Assistance for hostel	7	0	13	20	10.0	0	19.7	9.6
(vi) Merit scholarships	3	1	3	7	4.3	1.4	4.5	3.3
(2) Reserved seats at the time of admission	1	6	30	37	1.4	8.2	45.5	17.7
(3) Relaxation in marks	1	5	31	37	1.4	6.8	47.0	17.7
(4) Relaxation in age	—	1	—	1	—	1.4	—	0.5
(5) Special coaching facilities	—	—	4	4	—	—	6.1	1.9
(6) Midday meals and free clothings	—	—	—	—	—	—	—	—
Total number of respondents	70	73	66	209				

the number of scheduled caste students in professional institutions is far below their quota. If we want to equalise opportunity, then more and more scheduled caste students are to be brought into these institutions which in view of the poorer performance of these students seems to be possible only when adequate pre-admission coaching facilities are provided to them.

PERCEIVED IMPORTANCE OF CONCESSIONS

In reply to the question whether it would have been "possible for you to study without the special facilities at primary school, high school, and college stage" the responses are :

	Number of Respondents	
	Yes	No
Elementary level	141	54
High School	93	92
College	41	154

Although for most of the scheduled castes schooling at elementary stage would have been possible even without financial support, at the college stage the picture is reversed, that is, more than three-fourths of the respondents would have found it extremely difficult to go in for higher education without financial help. At the high school level the distribution is more or less even. These results are as one would expect. Since education at the elementary level is already free and the cost is not comparatively high either in terms of time or money, many could have gone into this level without special efforts. Caution is, however, needed in interpreting the above finding in view of the fact that responses relate to those persons who have survived the selection process. Thus there is every possibility that those who dropped out at the early stages were those persons for whom it was difficult to study without aid. It is essential to have a study conducted to find out as to who among the scheduled castes drop out : is it the economically poorer group or the academically inferior group? For higher education financial and other concessions are perceived as important by the group, suggesting thereby the role of these in the higher education of the scheduled castes.

In reply to the question "what was the most important motivating force for pursuing higher education?" the respondents were asked to rank as I, II and III the three items which they regarded as constituting the most important motivating force out of a list of six items provided to them. An analysis of the first choice (Table 3) indicates that financial concessions are regarded as the most important motivating force by the respondents. However, when all the three responses are taken into consideration by weighting the first choice by 3, the second by 2, and the third by 1, the "urge to improve status" emerges as the most important motivating force for going in for higher education; financial concessions and reservation in jobs closely follow the former suggesting thereby the importance of the concessions in motivating the scheduled castes to go in for higher education (Table 4).

A separate analysis of the data of the combined ranks for morning, evening, and professional respondents shows clear-cut group differences. While

TABLE 3: DISTRIBUTION OF RESPONDENTS ACCORDING TO THE MOST IMPORTANT MOTIVATING FORCE RESPONSIBLE FOR THEIR PURSUANCE OF HIGHER EDUCATION

Motivating Force	Population Group			Total
	Morning	Evening	Professional	
(i) Financial help from the government	19	20	18	57
(ii) An urge to improve status	9	20	23	52
(iii) Reservation in jobs	12	16	10	38
(iv) Inner urge to get knowledge	20	8	7	35
(v) Parental efforts	6	3	5	14
(vi) Influence of missionary or philanthropic organisations	1	0	0	1
(vii) No response	—3	6	3	13
Total respondents	70	73	66	209

TABLE 4: DISTRIBUTION OF RESPONDENTS ACCORDING TO THE COMBINED RANKING OF THREE IMPORTANT MOTIVATING FORCES FOR THE PURSUANCE OF HIGHER EDUCATION

Motivating Force	Population Groups			
	Morning	Evening	Professional	Total
(i) Financial help from the government	81	88	78	247
(ii) An urge to improve status	65	108	108	281
(iii) Reservation in jobs	77	99	74	250
(iv) Inner urge to get knowledge	97	48	60	205
(v) Parental efforts	55	22	47	124
(vi) Influence of missionary or philanthropic organisations	17	8	1	26

professional and evening group respondents are realistic in admitting that it is the "urge to improve status" which is the most important motivating force, the morning group respondents are more idealistic when they said that they are motivated to study by "an inner urge to get knowledge".

The above results of the study point to the positive role of special privileges and facilities in the educational advancement of the scheduled castes as revealed by their awareness, use and perceived importance of these in their educational careers. They substantiate the observation of Harold Isaacs that, "they would not be where they are and would not be having these experiences, if it were not for special help and preferences fixed by law in their behalf .... Hardly a fraction of the present progress would have been made".[9]

Yet we are far from the goal of equalisation not only in the limited sense of equal parity ratio, but, worse still, in the process certain new inequalities are creeping up.

EMERGING INEQUALITIES ON CASTE AND CLASS BASIS AMONG SCHEDULED CASTES

Chauhan[10] has expressed the fear that the spread of education among the scheduled castes may have consequences of creating social classes among them on lines parallel to those existing in higher society. Suma Chitnis[11] concludes that the scheme of post-matric scholarship is neither equitably distributed nor optimally used. She presents evidence to show how caste patterns operate in the use of the post-matric scholarship scheme in Maharashtra. She observes that Mahars who constitute 35.1 per cent of the scheduled castes population in the state account for 85.8 per cent of the total scholarships disbursed. In contrast, the Mangs who constitute 32.6 per cent of the total scheduled castes population account for only 2.2 per cent of the total number of scholarships. The present study indicates that the same pattern obtains in Punjab, though to a limited extent. Here Ramdasias and Chamars who constitute 38.6 per cent of total scheduled castes population in the State according to the 1961 census, use 56.5 per cent of seats in higher education. In contrast, Mazhabi who constitute 16.1 per cent of the population of scheduled castes utilise only 4.5 per cent of the seats in higher education. The other two more important groups among the the scheduled castes of Punjab are Addharmis (10.9 per cent) and Balmikis (16.6 per cent), but the proportion of seats held by their members in higher education are 11.0 per cent and 10.5 per cent respectively. Thus, whereas Addharmis are entering higher education according to their proportion in the scheduled caste population, this proportion among Balmikis is only two-thirds.

There is also a distinct class pattern in the utilisation of seats in higher education. Professional education is used by scheduled castes belonging to the relatively higher classes as indicated by their parental education, occupation and income. Thus while in the case of the general group the percentage of illiterate parents is 68.5, in the case of the professional group it is 50 (Table 5). Similarly, while 77.5 per cent of the general group is in the category of income less than Rs 200 per month, only 50 per cent of the professional group are in that income range (Table 6). Again, while 63 per cent parents of the general group are agricultural labourers and other unskilled workers, only 44.6 per cent of parents of professional group respondents are in this category (Table 7). The mean class score worked out on the basis of combined education, income and occupation index is 6.2 for the general group and 7.9 for the professional. This study thus corroborates the earlier findings that certain caste and class groups are in a more favourable position, as compared to others, in the utilisation of privileges accorded to the scheduled castes.

CAUSES OF EDUCATIONAL INEQUALITIES

Special protection is justified on grounds of social justice. It is meant for the groups who are most backward socially and economically and have suffered for centuries for no fault of their own. But, it is clear, in its actual operation, the protection has tended to favour the more fortunate of them and has not reached the most down-trodden groups. A critical analysis of some of the provisions of the scheme is attempted in the paragraphs that follow to detect the possible reasons.

MYTH OF FILTERATION THEORY

Ambedkar, the Law member in the Constituent Assembly, advocated that it is 200 times better to educate a few scheduled castes in higher educational institutions, send them abroad and then place them in key positions rather than to educate 2,000 boys in Marathi and Gujarati. His conviction was that these few, when invested with authority, would look after the welfare of rest of

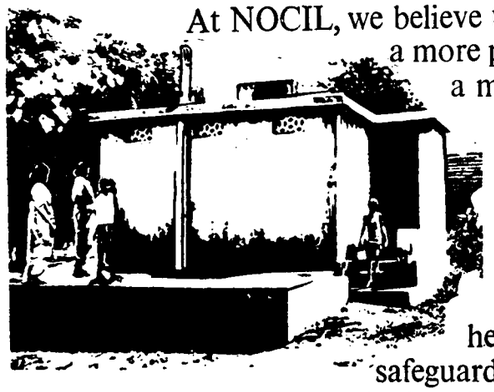
TABLE 5: DISTRIBUTION OF THE FATHER/GUARDIAN OF THE RESPONDENTS ACCORDING TO THEIR OWN EDUCATIONAL ATTAINMENT

Educational Level	Population Groups			
	Morning	Evening	Professional	Total
1	2	3	4	5
(i) Illiterates	45	53	30	128
(ii) Literates without educational levels	1	1	4	6
(iii) Primary	7	8	10	25
(iv) Middle	6	8	2	16
(v) High	7	3	10	20
(vi) Graduate and above	4	0	4	8
(vii) No response	—	—	6	6
Total	70	73	66	209



A country's future depends largely on a healthy population. Safeguarding the health of the masses is a national

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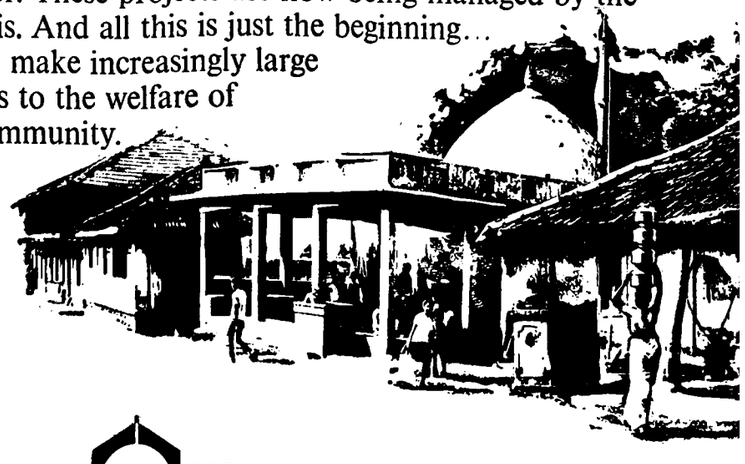


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TABLE 6: DISTRIBUTION OF THE FATHER/GUARDIAN OF THE RESPONDENT ACCORDING TO INCOME LEVEL

Income Categories (Rs)	Population Groups			
	Morning	Evening	Professional	Total
Below 100	12	10	8	30
100-199	40	24	22	86
200-299	5	5	13	23
300-399	3	4	9	16
400-499	3	0	4	7
500 and above	4	1	4	9
No response	3	29*	6	38
Total	70	73	66	209

Note: * In the evening group a large number of respondents are living independently on their own and, hence, they did not divulge their parents' income.

their brethren.[12] This resembles the famous filteration theory of Lord Macaulay which had failed so miserably in the case of Western education in India. In the case of spread of education among the scheduled castes also nothing better could be expected. Suneila Malik[13] presents empirical evidence to show that education minimises one's contact with the group in the case of scheduled castes. To what extent the educational privileges percolate down will be an interesting area of research.

TOO LATE FOR EQUALISATION

Special protection is extended to the scheduled castes only after high school, though financial assistance in the form of free tuition and stipend is made available to them from class IX onwards. The constitutional directive of universal and free education is supposed to ensure equal access to all at elementary school level. It is believed that free tuition and availability of school will enable everyone to avail of the educational facilities at this stage. A little probe will, however, convince anyone that neither is education free at this stage nor is the opportunity to avail of the existing educational facilities equal for all. Tuition, no doubt, is free for all but there are other costs of education as expenditure on books and stationery, clothing and sometimes transport "which amount not infrequently to several times the tuition".[14] More important than these is the 'opportunity cost'[15] which tells more heavily on these groups and they are more likely to withdraw their children from schools once they reach the age when they can be of use in economic activity. Similarly, the opportunities to avail of the existing educational facilities are not equal for the scheduled castes and there seems to be substantial truth in the statement "equal access or opportunity is not true equality when different groups are anything but equal".[16] In fact to treat unequal groups or individuals as equals is a social injustice. The reasons are obvious. Most of the scheduled castes are first generation learners with no tradition of learning. Their parents can hardly be expected to appreciate the value of education. Secondly, scheduled caste children are protein-starved and so they can hardly compete with others on equal terms. Thus free tuition and equal access are not sufficient conditions for the scheduled castes to go in for education and use the facilities optimally.

The result of all this expansion of elementary education and abolition of fee has been that the facilities are availed of more by "haves" than by deprived sections of society whose children do not go to school or who drop out at various stages. The bulk of those who survive come from comparatively better families. If, therefore, equal opportunities are to be assured for the deprived sections then more monetary and psychological incentives have to be provided at the elementary school stage. Only then will it be possible to have the broad base which is necessary for better and more equitable selection at the higher stage. Otherwise, only the economically better-off can make use of the facilities at the higher stage.

PARTIAL HELP FAVOURS HAVES

At the higher stage also when positive discrimination is extended to the scheduled castes, the scheme is not conceived in the spirit of helping the poorer sections of the scheduled castes. The scheme of post-matric scholarships, the central pillar of all educational facilities at the higher stage, tends to favour the 'haves' rather than 'have-nots' among the scheduled castes. The amount of aid is mainly responsible for this. The scholarship money at this stage ranges from Rs 27 (day scholar in general colleges) to a maximum of Rs 60 (boarder in professional courses) per month. This money can hardly be expected to induce the really poor to go in for higher education and, even if one does go in for it, to continue till he completes the course. Only those who have some other sources to rely on can avail of these scholarships. A few respondents were frank enough to admit that this money provides them with pocket expenditure while their parents bear the major portion of the educational expenditure.

Besides stipend, the other help that a student gets is refund of admission and examination fee. But the fact that a student is required to pay this amount defeats the purpose of the aid. Those who are very poor find it difficult to arrange for the lump sum, hence many a times it is possible that these forgo the chance of higher education.

ADMINISTRATIVE BOTTLENECKS

The implementation of the scheme leaves much to be desired and various reports of the Scheduled Castes Commissioner have made references to this. Indifference of the authorities and delay in reimbursement of scholarship are the main administrative hurdles pointed out by the respondents. The survey revealed that the students were not sure till December whether they would get the stipend and many had not received the first instalment till the month of March (two months prior to examination). Money coming at the fag end of the year cannot be expected to help the poorer who are likely to succumb to financial difficulties. Financial instability has been pointed out as constant source of worry by most. Ignorance of the procedure has been mentioned by many as cause of great difficulty. Many among the group were found to be unaware of book loan facities. The authorities are responsible for this by either not making the facilities available or not giving them proper publicity.

The indifference, delay and lack of proper publicity tend to tell more heavily on the poorer sections of the scheduled castes than on the better off and thus operate as a source of inequality among different sections of the scheduled castes.



Conclusions and Suggestions

To recapitulate, the results of the study make it clear that educational progress of the scheduled castes, specially at post-school stage, has been possible because of the special facilities and preferences fixed by law in their behalf. Yet the success is partial as evidenced by the parity ratios at all levels, specially at higher levels. What is worse, in the process, certain new inequalities are creeping up among the scheduled castes themselves. An attempt to discern the causes of slow progress of education among the scheduled castes in general and creeping up of new inequalities on caste and class lines among the scheduled castes have resulted in the following findings:

Mere existence of facilities does not ensure their optimum use. Awareness and acceptance are essential for utilisation. To maximise the use it is necessary to generate better awareness. More publicity is needed to ensure the wider use of facilities like book loans, hostel assistance and pre-admission coaching facilities. There is need to find out the extent of existence of these facilities and reasons for the poor use.

In spite of the preferences fixed by law in their behalf, the number of scheduled castes in professional institutions falls far short of their quota. This means the required number of qualified candidates are not available. This is hardly possible under the present circumstances when the parity ratios at High School are 10.0.[17] It is not possible for these 10 per cent to fill in 24.7 per cent of the seats at the higher level without substantially undermining the standards.

To discern the causes, the basic assumptions underlying the scheme of educational facilities as well as the nature of facilities were critically examined and the following conclusions emerge:

Education among the scheduled castes may not filter down as expected;

Equal access for unequal groups is not true equality;

Free tuition does not mean free education to the majority of the scheduled castes who are extremely ill fed and ill clad. Besides, the opportunity cost is much higher for them; partial help tends to benefit the 'haves' rather than deprived sections of the scheduled castes and as one respondent quickly puts "Government policy is to create 'Tatas and Batas' among the scheduled castes";

Administrative delays and official indifference tends to tell more heavily on the poorer groups of scheduled castes.

To make the scheme broad-based and the distribution more equitable, there is need to end the anomalous situation of all help at higher level and no special facility at the elementary school stage. At the elementary school level there is need to have more incentives, both financial as well as psychological. At the higher stage, admission should be selective and those who are taken should be totally cared for. Children of Class I and II categories of scheduled caste officers should not be accorded any preferential treatment as in their case the environmental handicaps have been largely overcome. This will ensure more just opportunities to the deprived as well as a good beginning for gradual discontinuance of privileged status.

Table 7: Distribution of the Father/Guardian of the Respondents According to Occupational Group

Occupational Categories	Population Group			
	Morning	Evening	Professional	Total
(i) Agricultural and other labourers	35	40	28	103
(ii) Non-skilled labourers	3	2	1	6
(iii) Skilled workers	7	5	9	21
(iv) Shopkeepers and small business	4	2	3	9
(v) Service	16	13	24	53
(vi) No response	5	11	1	17
Total	70	73	66	209

Notes

[The author is grateful to T Majumdar and other colleagues at the Zakir Husain Centre for Educational Studies, J N University, for their valuable comments.]

1 In higher education the main educational facilities and privileges are:
   (a) Financial assistance in the form of stipend, free tution, refund of admission and examination fee, book loans, assistance to stay in hostel and free coaching facilities;
   (b) Reservation of seats in professional institutions for the scheduled castes in proportion to their population in the state;
   (c) Relaxation in admission criteria where the same are prescribed, i e, 5 to 10 per cent relaxation in marks and 5 years of age relaxation at the time of admission.

2 According to the Census of 1961 and 1971, the literacy rates among the scheduled castes and total population are as follows:

Year	Scheduled Castes	Total
1961	10.2	24.0
1971	16.1	29.3

3 (i) Naik, J P, "Education of the Scheduled Castes" (1965-66), Occasional Monograph No 6, New Delhi, ICSSR, 1971.
   (ii) Usha Rani, "An Analytical Study of the Progress of Scheduled Castes Education in Punjab during Post-Independence Period", Unpublished MEd dissertation submitted to the Department of Education, Punjab University, Chandigarh, 1972-73, pp 37-38.

4 Report of the Commissioner for Scheduled Castes and Scheduled Tribes, 1970-71 (Twentieth Report), Manager of Publications, 1972, p 17.

5 United Nations, Study of Discrimination in Education by Charles D Ammoun, 1957.

6 Chitnis, Suma, "Education for Equality — Case of Scheduled Castes in Higher Education", *Economic and Political Weekly*, Annual Number, 1972, pp 1675-81.

7 Data for the study were collected from the scheduled castes students studying in higher educational institutions of the Union Territory of Chandigarh. The institutions included are the varions departments of Punjab University, Chandigarh Campus, Punjab Engineering College, College of Education, Men Polytechnic and the Colleges of General Education in Chandigarh affiliated to Punjab University.

8 Chatterjee, B B, "Impact of Social Legislation in Social Change", November 1971.

9 Isaacs, Harold R, "India's Ex-untouchables", Bombay, Asia Publishing House, 1965, p 113.

10 Chauhan, B R, 'Special Problems Regarding the Education among the Scheduled Castes' in M S Gore, I P Desai, and Suma Chitnis "Papers in Sociology of Education in India", NCERT, New Delhi, 1967, p 246.

11 Chitnis, Suma, *op cit*, p 1676.

12 India, Department of Social Welfare, "Report of Backward Class Commission" Vol III, Delhi, Manager of Publications, 1956, pp 73-75. (Evidence given by Ambedkar

to Backward Class Commission).

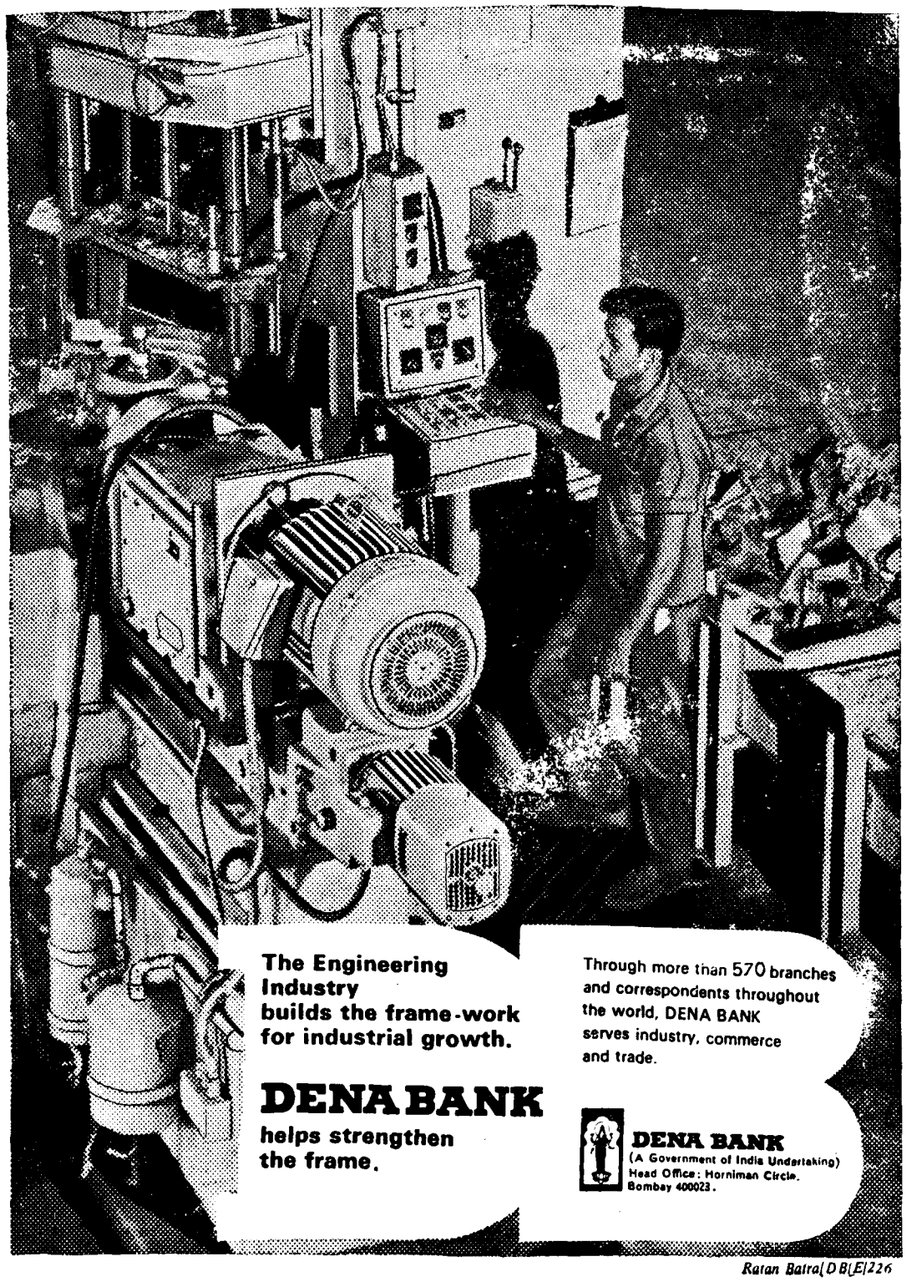
13 Malik, Suneila, "Social Consequences of Social Mobility among the Scheduled Castes", unpublished PhD dissertation submitted to the Punjab University, 1970.

14 Education Commission's Report (1964-66) has, on the basis of a survey, shown that "money spent on books and stationery, amount not infrequently, to several times the tuition" and "in fact the greater financial burden that creates non-equalitarian trends today is not so much the tuition as other costs", (P205 for the relevant table.)

15 Schultz defines opportunity cost as 'the income that a student forgoes in pursuing present education — the net income which he might have earned had he been working somewhere'.

16 See T A Mathias, 'Education and Justice: Need for Protective Discrimination', in "New Frontiers in Education", Vol IV, No 1, Jan-Mar 1974. Also UNESCO, *Report. Learning to Be* (UNESCO) (1962) p 72.

17 Ministry of Education and Social Welfare "Progress of Education of Scheduled Castes and Scheduled Tribes, 1967-68", New Delhi, 1974. p 33 ff.



Investment Behaviour of Monopoly Houses

III—Time-Profile of Fixed Investment and Other Implications of the Structure of Investment Decisions

Aurobindo Ghose

The phenomenal growth of monopoly houses during 1955-73 was accompanied by a progressive break-down of planning, particularly of industrial licensing as an instrument of regulation of private investment. To explain this development, it is necessary to understand the monopoly houses' behaviour with respect to fixed capital investment.

For this purpose, the investment decision itself has to be identified. The investment decision is not a simple decision. It has a structure. The identification of this structure has important implications. This paper is an attempt at understanding some of these aspects.

In Section I of the paper, a detailed attempt was made to identify the structure of Indian monopoly houses' investment decisions, conceptually as well as empirically. In Section II certain underlying attributes of the structure were sought to be highlighted in terms of the economics of pre-emption. In this, the concluding, part an attempt is made to derive some of the more important implications of the structure of investment decisions, particularly for understanding the time-path of the monopoly houses' fixed investment.

IDENTIFICATION of the structure and determinants of monopoly's investment decisions is a pre-condition to an understanding of its actual investment behaviour over time.

The identification of the structure of Indian monopoly's investment decisions has been attempted above. The identification of the determinants of Indian monopoly's investment has been attempted elsewhere and it is sufficient to summarise the broad results here. It is not current profits which determine current investment. Current profits, through internal accumulation, along with the planned investment programme for the public and the private sectors, determine monopoly's current investment intentions. Investment intentions are followed by other intermediate decisions. These investment intentions are highly pre-emptive, such that only a small proportion of the volume of investment intentions in any period are transformed into actual investment subsequently. Even the time-lag of investment is not a parameter, but is variable and its variability depends mainly on the extent of monopolistic pre-emption.

Table 8 shows the trend in gross fixed investment (at current prices) between 1956-57 and 1969-70 for Tata, Birla, Mafatlal, Sri Ram and Kirloskar.

The corresponding data on the rate of investment (at current prices) along with indicators of current performance such as profitability, for the large corporate private sector between 1965-66 and 1970-71, is shown in Table 9. Since the data relate to 290 non-financial non-Government, public limited companies each having a paid-up capital of Rs 1 crore and above, it would seem to represent the monopoly sector.

Two broad conclusions about the time-profile of monopoly's actual fixed capital investment, follow from Tables 8 and 9.

First, it is discontinuous and jerky, spread unevenly over time and marked by one if not two sharp peaks.

Secondly, it is deceptive, even paradoxical in appearance. For instance, the peak of monopoly's fixed capital investment occurred during 1966-67 and 1967-68, the very years of industrial recession.* Similarly, the rate of growth of monopoly's fixed capital is observed to fall sharply during the years 1969-70 and 1970-71, which the indicators of current corporate performance, like the rate of profit, showed a recovery.

There is nothing unusual about either of these conclusions, once the structure and determinants of monopoly's investment decisions are identified.

Considering the first conclusion, the discontinuity of fixed capital investment is because of (a) the indivisibility or lumpiness of individual projects, and (b) the observed bunching in the completion of different projects.

Hence the Tata peak of 1958-59 is explained by the bunching in the completion of three very lumpy projects; the TISCO 1 million ton steel expansion scheme financed by World Bank loan, the TELCO truck and diesel engines project and the hydro-electric projects of the three electricity companies, also financed by World Bank loans.

The peak of investment in 1966-67 for Birla is explained by the bunching of a large number of investment completions, e g, the tipping gears and LP gas cylinder projects of Hyderabad Allwyn, the steel casting projects of Hindustan Motors and National Engineering Industries, the sodium bicarbonate project of Saurashtra Chemicals, the HT insulators project of Jayshree Textiles, the Chittorgarh cement project of Birla Jute and the paper capacitors project of Universal Cables. Similarly, the jump in Birla investment in 1960-61 and 1961-62 is explained by the implementation of the Hindustan Aluminium project.

The peak in investment of Sri Ram in 1968-69 is explained virtually by the implementation of its Rs 25 crores Kotah fertiliser project.

The peak in investment of Mafatlal in 1967-68 is explained by the indivisibility or lumpiness of the NOCIL and Polyolefins projects and also by the simultaneous completion of Indian Dyestuff's anthraquinone and aluminium chloride projects, Standard Mill's caustic soda and chlorine projects and Navinc Flourine's chemical project.

It would seem that the determinants of monopoly's investment decisions along with the 4 to 5 years average gestation lag, explain rather well this observed discontinuity in monopoly's actual fixed capital investment.

Coming to the second conclusion. There is nothing unusual in the peak of monopoly's fixed capital investment occurring in the years of the industrial

* This result follows even if a real investment series is obtained, though such a series is subject to serious reservations mainly because of the index number problem. See Table 10 for such a series.

TABLE 8: ANNUAL GROSS FIXED INVESTMENT OF SELECTED INDUSTRIAL HOUSES: 1956-57 TO 1969-70

(Rs lakhs)

House	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70
1 Tata	3462	6643	3733	1533	1923	1049	1597	2426	2381	2672	5225	3157	2311	3038
2 Birla	1107	1266	1021	1142	2055	2434	1741	3612	3862	4257	8917	3659	2616	2840
3 Mafatlal	154	131	138	241	229	243	513	679	755	289	1088	4988	1166	460
4 Sri Ram	120	53	118	145	200	244	773	889	449	332	478	2245	829	185
5 Kirloskar	25	56	88	77	81	148	225	301	487	494	533	265	279	585

Note: Gross fixed investment is defined as annual additions to the balance sheet value of gross fixed assets. This is an undeflated series.

Source: Author's sample. See Appendix A for details on the sample.

recession. The initial decisions for these investments were taken not during the recession, but much earlier: in the period 1960-62 which was also the period of boom for the private sector as a whole, including monopoly.

Similarly, there is nothing paradoxical about the falling rate of growth of fixed capital during the recovery years of 1969-70 and 1970-71. The low rate of investment today reflects the low volume of investment decisions taken by monopoly about 4 to 5 years earlier, from 1964-65 onwards, which was the time of recession. Though monopoly's highly diversified production structure and staying power makes it less vulnerable to a recession as compared to small business, even then the total volume of monopoly's investment decisions, especially its investment implementation decisions, is reduced during a recessionary phase.

However, on the basis of the observed fall in the rate of growth of fixed capital during the boom of 1969-70 and 1970-71, it has been contended by some that monopoly is having no inducement or inclination to invest. The phenomenon has also been popularly described as an 'investment strike'. If investment is identified only with the fact of actual investment then such a conclusion may be justified, but such an identification itself is false. As has been explained earlier, investment in fixed capital is not an indivisible, instantaneous act. It is rather a process spread over time consisting essentially of two parts: a decision-making part and a part where the decisions materialise into actual investment. The investment decision in turn is not monolithic but consists of different identifiable components.

Thus whether monopoly is having an inducement or disinducement to invest today is to be judged not by current indicators of the different components of the investment decision. The volume of industrial licences, foreign collaboration approvals, capital issue consents, sanction of financial assistance, and licences for capital goods imports obtained by monopoly, and the amount of capital raised by monopoly through public issue — these would be the indicators of monopoly's current inducement to invest. A statistical verification for each of these indicators show that during 1970-71 to 1971-72, there was a recovery in the volume of different investment decisions. The inducement to invest seems to be high in the current recovery, as revealed by the following indicators. This is a major finding of this study and runs counter to the "continuing stagnation" thesis advanced by some.

(1) *Indicator of Investment Intentions*:

Licensing:

(a) The number of letters of intent issued went up from 333 in 1969 to 439 in 1970, jumping to 1,013 in 1971 and of industrial licences from 197 in 1969 to 240 in 1970 and further to 315 in 1971 (excluding shifting and COB licences).

(b) Of the 82 applications considered and disposed of by the Monopolies Commission between June 1970 and November 1972, 77 cases were approved involving an outlay of Rs 315 crores.

(2) *Indicators of Investment Undertaking*:

(i) Capital Issues Consent:

The trend in value of consents of non-bonus capital issue in the private corporate sector between 1967 and 1971-72 was as follows.

	Non-Bonus Capital Issue Consent of Non-Govt Cos (Rs Crores)
1967	167.3
1968	98.0
1969	108.4
1970	72.2
1971	141.2
1971 (January-September)	54.9
1972 (January-September)	127.6

It is to be noted that the value of capital issue consents doubled between the calendar years 1970 and 1971 and further between January-September 1971 and 1972.

(ii) Sanctions of Institutional Finance:

The trend in assistance sanctioned by IFCI, ICICI and IDBI to the corporate sector between 1967-68 and 1971-72 was as below. Here also the sudden jump in sanctions between 1969-70 and 1971-72 is noticeable.

	Assistance Sanctioned by IFCI, ICICI and IDBI (Rs Crores)
1967-68	62.7
1968-69	97.3
1969-70	94.5
1970-71	146.8
1971-72	214.4
1971 (April-September)	97.5
1972 (April-September)	122.0

(3) *Indicators of Investment Implementation*

(i) Raising of Capital:

The trend in actual raising of capital from the market by non-government companies was as follows. The amount of capital raised nearly trebled between April-December 1972 and 1973.

	Capital Raised (Rs Crores)
1967-68	76.9
1968-69	68.9
1969-70	55.9
1970-71	55.9
1971-72	45.6
1972 (April-December)	25.4
1973 (April-December)	72.9

(ii) Licensing of Capital Goods Imports:

The trend in value of licences issued between 1969 and 1972 for import of capital goods and heavy electrical plant was as follows.

	Value of CG and HEP Licences Issued (Rs Crores)
1969	73.2
1970	127.1
1971	252.2
1971 (April-November)	138.8
1972 (April-November)	153.6

Here again the sharp rise in the value of CG licences issued between 1970 and 1971 is evident.

Although the above indicators relate to the private corporate sector as a whole, they apply equally to the monopoly sector. Thus, whichever indicator of monopoly's inducement to invest is considered, the conclusion is inescapable that currently monopoly is quite far from any 'investment strike'. Nevertheless, even when a slump in actual investment might coincide with a period of recovery in the current performance of monopoly (as indicated by rising profits) as well as a recovery in monopoly's investment decisions, monopoly might still want the government to facilitate investment through conscious intervention. The intensification of monopoly's demand for the joint sector during 1970-72, when actual private investment was falling but investment decisions were increasing, is illustrative of Indian monopoly's varied tactics.[24]

The structure of Indian monopoly's fixed investment decisions has equally important implications regarding the functioning of the economy and can help to explain in part the failure of industrial policy during 1956-66, i e, during the Second and Third Plans.

First, monopolistic pre-emption, i e, foreclosure of licensable capacity in excess of monopoly's ability to invest in a certain period, implies a built-in tendency in the system for Plan targets of total private investment, in physical terms, to be underfulfilled. The assumption here is that implementation of licensed investment does not spill over from one Plan to another.

This built-in tendency of under-fulfilment of the total targeted private investment would work in the following manner. Even if monopoly invests an amount equal to its total ability to invest, a part of its licensed investment would remain unimplemented. The magnitude of this unimplemented part was significant during the Second and Third Plans. As estimated earlier, half or more of Indian monopoly's licensed investment did not proceed beyond a stage in the investment process, so that less than half of its licensed investment was actually implemented between 1956 and 1966.

A consequence of such monopolistic pre-emption is that a part of the invest-

TABLE 9: FINANCES OF LARGE CORPORATE PRIVATE SECTOR

	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
Indicators of Rate of Investment:						
(1) Rate of Growth of Fixed Assets (per cent)	—	11.5	9.8	8.3	7.8	7.0
(2) Rate of Growth of Gross Plant and Machinery (per cent)	—	17.8	10.4	8.0	7.6	7.2
Indicators of Profitability:						
(1) Rate of Growth of Profit before tax (per cent)	—	4.2	—8.7	0.6	26.5	21.1
(2) Gross Profits as Per Cent of Total Capital Employed	10.9	10.4	9.4	9.1	10.2	11.4
(3) Gross Profits as Per Cent of Sales	11.3	11.0	9.9	9.2	9.9	10.3

Source : Reserve Bank of India Bulletin, February 1972.

TABLE 10: REAL INVESTMENT ON PLANT AND EQUIPMENT IN INDIAN PRIVATE SECTOR: 1960-61 TO 1970-71

(Rs Crores)

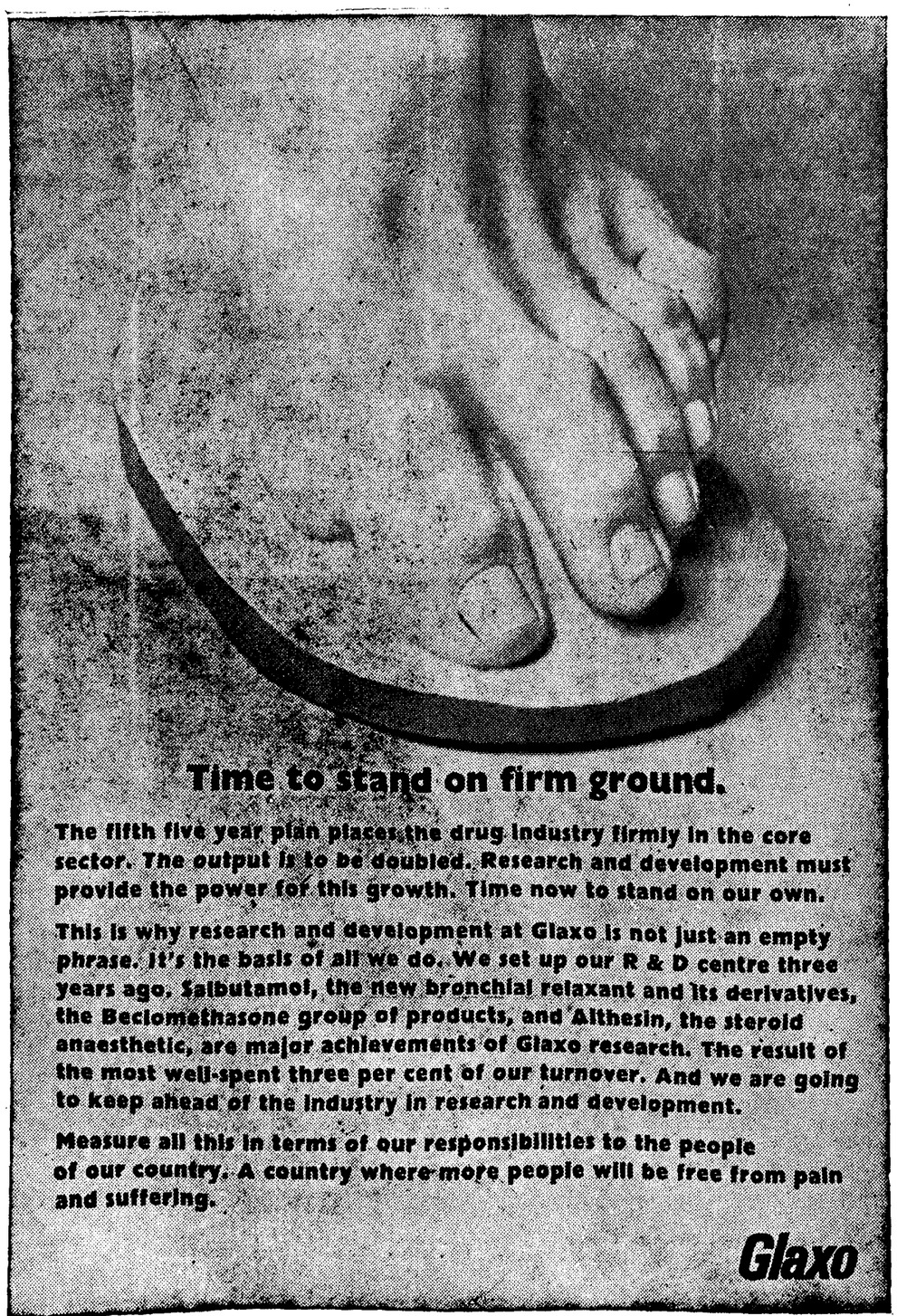
Categories	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
1	2	3	4	5	6	7	8	9	10	11	12
1 Reserve Bank Sample	NA	205.3	198.1	240.7	201.2	187.9	407.5	134.0	185.5	189.2	188.3
2 Tata	17.48	9.34	6.83	11.44	9.41	22.11	27.31	17.04	14.13	15.21	NA
3 Birla	9.19	24.54	11.09	17.21	22.91	22.84	46.35	20.73	9.46	17.27	NA
4 Mafatlal	2.57	1.63	3.85	4.05	6.57	4.25	6.23	31.63	6.51	1.91	NA
5 Sri Ram	1.60	0.88	3.46	6.06	6.42	3.12	2.72	1.56	17.74	0.84	NA
6 Kirloskar	0.52	0.98	1.52	1.67	2.89	3.22	1.69	1.24	1.30	2.31	NA

Notes: (1) *Definition:* Annual Investment on plant and equipment is the annual addition to the gross value of plant and equipment as recorded in balance sheets. Real investment has been derived by deflating the money values by a price index of plant and equipment (see below).

(2) *Sample:* (i) The Reserve Bank Sample refers to the sample of large and medium companies (both Public and Private Limited) covered by the *Reserve Bank of India Bulletin* in its periodic studies on the finances of the private corporate sector. The data refer to two separate sample series with different coverages, for 1960-61 to 1965-66 and 1965-66 to 1970-71. A uniform series has been obtained by blowing up the figures in the respective samples. The Reserve Bank Sample is not comparable to the house samples.
(ii) The house samples refer to the author's sample derived from the Bombay Stock Exchange Directory. See Appendx A for details on the samples. The figures nave been used as given, except for netting out new acquisitions and disinvestments, i e, only new investment figures have been used. No blow-ups have been used.

(3) *Deflator:* The deflator used is the price index of plant and equipment (at 1960-61 prices) which is implicit in the real investment series for the corporate sector as a whole (public sector and private sector) given in the CSO's latest *Estimates of National Product, Savings and Capital Formation: 1960-61 to 1971-72*, CSO, November 1973. The Price Index is as follows:

1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
100.00	102.45	105.16	113.77	114.94	122.01	143.44	149.18	149.63	150.61	163.56



ment licensed in the non-monopoly sector would also remain unimplemented. This is because small and medium-sized investments in the non-monopoly sector are usually complementary to and dependent on large-sized investments licensed in the monopoly sector. Thus it is observed that half or more of the investment licensed to the non-monopoly sector also remained unimplemented during the period 1956-66 (see Table 3).

This tendency of underfulfilment of Plan targets of physical investment in the private sector would work, unless a part of the investment finance meant for the public sector were itself channellised to the private monopoly sector. If such channellisation were in fact to take place, then even if the private sector's investment target is fulfilled, there would emerge a corresponding underfulfilment of Plan targets of physical investment in the public sector.

This kind of reasoning seems to be confirmed by actual happenings during the Second and Third Plans. It has been established elsewhere that the Plan targets of physical investment in the Second and Third Plans were not fulfilled for industry as a whole, as well as in the public and private sectors taken separately.[25] During the Third Plan, even though the financial target of private investment was overfulfilled, this was at the expense of a corresponding underfulfilment in the public sector; in addition, funds meant for the public sector seem to have been channellised to the private sector through the public financial institutions. (Of the Rs 1,975 crores of actual private investment in industry during the Second and Third Plans, Rs 584 crores or about 30 per cent came from public financial institutions.)

It may be pointed out here that the above argument rests on the assumption that industrial licensing conforms and corresponds to the Plan targets of private investment. That in case of underlicensing, the underfulfilment of the Plan target is not attributable to monopolistic pre-emption; and in case of over-licensing, the underfulfilment of targeted private investment is not inevitable. The point, however, is that all these factors work towards the same result — the underfulfilment of targeted investment — but that pre-emption would achieve such a result independently, and that in the presence of the other factors, it would only reinforce such a tendency.[26]

Pre-emption in turn implies considerable reversibility of investment decisions for an individual monopolist, as has been established earlier in Section I, Such reversibility, expressed through the time-phasing of a monopolist's different investment decisions, no doubt reduces the effect of primary uncertainties on a monopolist's own investment process, and keeps his investment activity as uninterrupted as possible. But this in turn creates considerable uncertainties in the rest of the economy and affects production and investment activity both in the private non-monopoly sector and also in the public sector.

The possibility of time-phasing of the different intermediate decisions relating to a single investment or of time-phasing in the implementation of different investment projects available to the house as a whole, leads to the emergence of intentional time-lags. These intentional lags, as has been analysed in Section II, are the most dominant aspect of variable time-lags, i e, the variability of time-lags in the implementation of similar investment projects between different industrial houses or even within the same industrial house.

If time-lags in investment are variable, it means that the government has no control over the timing of different private investments. There is hence no way to ensure the balanced creation of capacities in different related industries, at a point of time or over time.

This explains the variability in the fulfilment of Plan targets of capacity in different industries during the Second and Third Plans.[27] In other words, the physical imbalances that emerged during the Second and Third Plans were not the outcome of chance or accidental or even exogenous factors but resulted mainly on account of Indian monopoly's investment behaviour.

An important outcome of the variability in the implementation of monopoly's investment, was that the linkage between public and private investments — which is part of any planning process — was broken. Thus whereas the public sector, during the Second Plan at least, considerably invested in basic and mother-machinery industries, monopoly did not invest in the industries using their outputs to the extent required or at the required time. This is one important reason for the emergence of excess capacity in the public sector — more capacity was created than could be used by the private sector.

The implications that such a lopsided industrial structure hold for the emergence of an industrial recession during and after 1966 are obvious enough not to be elaborated. It is true that recession is the outcome of several factors — the variations in public investment, foreign trade and aid and agricultural output.[28] It is not the purpose of this study to examine each of these factors and point out their relative significance in the determination of the recession. What is being indicated, however, is that the implications of monopolistic investment behaviour — particularly the variations in monopoly's intermediate investment decisions — are important enough not to be neglected.

Notes

24 See in this connection Aurobindo Ghose, "Joint Sector and 'Control' of Indian Monopoly", *Economic and Political Weekly*, June 8, 1974.

25 See P B Medhora, "Industrial Growth since 1950", Bombay University, 1968, pp 77-78; G K Shirokov, "Industrialisation of India", Moscow, 1973, pp-175-176; and Aurobindo Ghose and Arvind Vyas. "Industrial Structure and Industrial Policies", *Alternate Policies for the Fourth Plan*, State Planning Board, Kerala, 1969.

26 Overlicensing of any industry, for instance, deters the licencees from implementing their full licensed capacities for fear of excessive capacity creation in the industry. Thus industries overlicensed during the Third Plan were marked by significant underfulfilment of Third Plan capacity targets. These were the very industries where large industrial houses obtained disproportionate shares of the licensed capacity. See in this connection P B Medhora, 'Industrial Growth Since 1950", *op cit*, pp 57-60.

27 See Aurobindo Ghose and Arvind Vyas, *op cit*, Tables.

28 See for some attempts at explaining growth and fluctuations in the Indian economy, S Ganguli, "Public and Private Sector : the Dynamics of the System", *Alternate Policies for the Fourth Plan*, State Planning Board, Kerala, 1969. Prabhat Patnaik, "Disproportionality Crisis and Cyclical Growth", *Economic and Political Weekly*, Annual Number, February 1972; Ashok V Desai, Growth and Cycles in the Indian Economy, 1951-64", *Economic and Political Weekly*, November 1966, pp 591-594; A M Khusro, "Recession, Inflation and Economic Policy", *Economic and Political Weekly*, October 14, 1967; P B Medhora, "Income Shifts and Recession", *Economic and Political Weekly*, July 27, 1968; Ranjit Sau, "Growth and Fluctuation in the Indian Economy", *Economic and Political Weekly*, Special Number, August 1973.

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Pakistan-India Relations: First Step towards Regional Co-operation

H T Parekh

In spite of traditional enmities and bitter war memories, France and Germany, together with the smaller countries of Western Europe have been able to establish a European Common Market.

Countries of South Asia are in some ways even better placed to bring about some form of regional economic and cultural co-operation.

The recent improvement in Indo-Pakistani relations needs to be grasped by the governments and peoples of the two countries as the first step towards regional co-operation in South Asia.

AMONG all the prevailing gloom, there has appeared one sign of hope on the horizon that may bring much sunshine to what was once the Indian subcontinent but which is now made up of Pakistan, Bangladesh and India. Never before in the last 25 years since Independence, have Indo-Pakistan relations become as normal and peaceful as they are promising to become today and this may well be only the beginning of an era of peace and amity between the two countries and even three countries, including Bangladesh. Much more of good neighbourliness and fruitful co-operation lies before us, but we all need to seize the present opportunity and pursue actively a positive policy which can benefit all the people of this region.

It is indeed a pleasant experience to feel that the most knotty and formidable problem which has dominated the scene for a quarter century and which perhaps was the price we paid for our Independence, is well on the way to resolution. The talks now going on between the Prime Minister and Sheikh Abdullah hold out some promise, however slow they may be moving. Among the many political achievements of the Prime Minister, her skilful negotiations with Kashmir leaders for the ultimate integration of Kashmir into India is very significant because of its great potential value. Though no settlement has yet been reached, sustained negotiations have at least helped to clear the ground and considerable understanding seems to have taken place. In any event, leaders of Kashmir seem reconciled to Kashmir being part of India with some recognition of its special status.

Since the establishment of Bangladesh, slowly and steadily not only is the Kashmir problem as seen by Sheikh Abdullah and the Kashmiri people on the way to some settlement but, after several diversions and interruptions, the Kashmir problem is no longer looming on the horizon to vitiate the political atmosphere for re-establishing a normal, good-neighbourly relationship with Pakistan. Today there exists much less tension between the two countries and perhaps much less anti-Indian propaganda in Pakistan than in the past. It is heartening that the first successful step has been taken by the Governments of Pakistan and India in restoring postal, telecommunication and travel links. This should mark the beginning of a new era of friendliness between the two peoples.

The recent visit of the Shah of Iran and the wide publicity given to his views that the countries of South Asia should get together for their own regional development has helped focus public opinion on this important issue.

On humanistic considerations also, to alleviate needless suffering and separation, the peoples of Pakistan and India must get rid of the wall that separates them. In a recent article in the *Illustrated Weekly*, Dewan Berindranath has drawn attention to the problem of the 'Prisoners of Peace', as he has called them.

However, it is doubtful whether the public in the two countries have appreciated the full value and significance of this new relationship and its potential and whether they are seizing this moment to put it to best use. Today there are no major political issues between Pakistan and India and only bitter memories of the past act as a break to a better relationship. A new generation has grown up since the Partition of India and its aftermath in both the countries and that generation has no ground for any real bitterness. What is now needed is to take a bold and constructive view in regard to developing a new relationship between the two countries with an eye to the future. We need to capitalise on the new agreement. Normalcy in regard to post, communications and travel arrangements between the two countries has now been established and it has received wide welcome. We need now to create a climate for encouraging travel by people in the two countries and even get ready with plans to send goodwill delegations in cultural fields to build up greater accord as also exchange of locally produced films. Of course, this is only possible on a reciprocal basis. A great deal of publicity is needed on both sides to generate a new climate, but as yet there seems to be very little enthusiasm on both sides. With so much in common in regard to outlook, thinking, way of living and with so many family ties between the two countries, there should be a burst of enthusiasm everywhere to achieve a breakthrough in Indo-Pak relations. This should spark efforts to restore many broken links in social, cultural and economic relationships between the two countries. In the cultural field, a great deal is possible, but this would require a new initiative on the part of both countries.

The first step is now taken to make effective the recent agreements. The second step on the part of Governments at both ends would depend upon the public response and reaction which unfortunately is lacking. Cultural associations, the press, trade bodies and the general public are not yet reacting and are not yet demanding from both Governments that they take early steps. Under democracy, essentially it is the public which should make the Government to act.

What is of even greater importance is to re-establish economic links. Mutual trade between the two countries requires to be restored. Negotiations for a trade agreement between the two countries are now to be taken up and we may hope that they will take place with a sense of urgency. India is in the grip of inflation and even to fight inflation restoration of trade with Pakistan can be of some help. Pakistan has surplus of cotton, rice, wheat, which India needs badly. Pakistan exports these commodities and India is in a better position to buy these than any other country. Pakistan can also obtain profitably from India many manufactured products, including machinery, which India can supply at highly competitive prices. Econo-

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mic developments often facilitate improvement of the political situation.

In this direction, trade associations in the two countries also seem to be indifferent. For example, though there is a clamour for import of cotton due to shortage of local production, neither cotton importers nor the textile industry has shown any signs of awareness that possibly we can buy cotton from Pakistan on more favourable terms.

Even though travel restrictions are being removed, there seems to be no move by business firms to explore possibilities with each other. It is difficult to say who is more responsible for inaction — the business community or the Government. Any objective view about the next five to ten years would suggest the potential of growth in business relationship with Pakistan. Since the political hurdles are now largely cleared, all signs are favourable for the restoration of normal economic relationship with Pakistan, which will be of great mutual benefit to trade and industry in both countries.

Pakistan's economic links with Bangladesh are also bound to be restored sooner or later, and passage through India of goods by both countries would be essential to develop their mutual trade. This would be possible only when the three countries are able to re-establish normal trade and travel arrangements. India's trade with neighbouring countries, such as Afghanistan and Iran, suffers today because transit facilities through Pakistan are far from normal. Whatever hurdles exist in regard to issue of visa, passport, etc, and movement of people and goods need to be sorted out with a sense of urgency and with goodwill, in order to obtain quick results. This is the responsibility of people at both ends.

Once a normal neighbourly relationship is restored between Pakistan and India, and therefore, *ipso facto*, also between Bangladesh and these two countries, the ground will be ready for moving forward to develop a more broad-based relationship with other neighbours, such as Burma and Ceylon and Iran, Afghanistan, etc. Occasional references are made about the need for regional co-operation, but hardly any progress has been made so far between India and her neighbours. Even the possibility of establishing a common market is sometimes stressed. What is meant by regional co-operation and common market is not defined nor would there be unanimity about what the region may be. Even countries such as Ceylon and Burma find themselves in a difficult predicament. Nonetheless, for India, it is vital that the possibilities of regional economic co-operation are examined in depth for the long-term economic wellbeing of all. India is in a position to do much spade-work. No progress in this direction is possible unless Pakistan-India ties are first restored. It is not clear whether the Governments and peoples of Pakistan and India are ready to look forward and work for this cherished goal.

In spite of the traditional enmities and bitter war memories between France and Germany, these leading countries of Europe together with other smaller countries have been able to establish a European Common Market. At one time, this was just a dream of a few intellectuals, but by sustained work that dream became a reality. Europe had a common culture which was the bond bringing these countries together in spite of the barrier of language and institutional differences. Progress in science and technology also played a significant part in bringing about such an integration. We in South Asia are in some ways better placed to bring about some form of regional economic and cultural co-operation. Perhaps, without an intellectual conviction and a desire for such an evolution, a popular movement may be slow to grow.

Distribution of Urban Household Wealth in India

A Comment

(Contributed)

V M JAKHADE and S L Shetty (April 27 and May 4, 1974) claim to have worked out distribution of reproducible tangible wealth among urban households for 1949-50, 1960-61, and 1966-67. The first part of the study deals mainly with the estimation of reproducible tangible wealth of the so-called urban households, and the second part, with its distribution among the urban households for the three years. The reproducible tangible wealth with urban households for each of the three years, has been obtained as a residual, by subtracting from the total reproducible wealth of the country the wealth with the government sector, private organised sector, and farm-households. While use has been made of earlier published estimates of reproducible tangible wealth in the country for 1949-50 and 1960-61, the estimates for 1966-67 have been derived by the authors themselves. The official series of the wealth-tax data and the income-tax revenue statistics have then been juxtaposed for arriving at the urban household wealth distribution.

The authors are apologetic from the very start of the study, admitting that the methodology adopted for the analysis is a crude one and in further saying: "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". Having themselves accepted the weakness of the analysis and non-utility of the results, it is but proper that a reader should screen their study to further highlight the serious limitations of the analysis and the results derived therefrom to have discussions on the methodology and concepts and to warn the co-readers about the pitfalls of using the results of this study. With this end in view, we make certain comments in the following paragraphs.

At the outset, it may be stated that the very caption of the article is misleading. The authors have ignored the latest position about the available data on the subject. The analysis is very roundabout, on the basis of several inappropriate and unrealistic assumptions. While going through the study, it is evident that it relates to all the urban households and to the non-farm households belonging to rural areas. In no way does it relate to urban households alone. It would thus be proper that the caption of the article should have been 'Distribution of Non-Farm Household Wealth' instead of 'Distribution of Urban Household Wealth'. The choice of the third and last year of the study (1966-67) has been justified by the authors on the grounds that wealth tax and income-tax revenue statistics are available up to 1966-67 only. However, wealth tax and income-tax statistics are published for three more years, i e, upto 1969-70, and naturally such a time-gap cannot be accounted for by the process of preparation and publication of the study.

Before going deep into the many unrealistic assumptions adopted and the conceptual and computational errors

made for arriving at the estimates, it may be pointed out that detailed estimates of total reproducible tangible wealth — sector-wise as well as ownership-wise (household wealth also available separately) — were published for 1960-61 and 1965-66 in the October 1972 issue of *Reserve Bank of India Bulletin*. In the entire study of Jakhade and Shetty, there is no mention of this comprehensive and detailed work, not to speak of failure to use the results of this study. In fact, the authors say: "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". If that is so, perhaps, there is no point in blaming the authors for not referring to the estimates for the year 1965-66 and also for not using the revised figures for 1960-61 in place of weak estimates published earlier. Had the authors been aware of the latest study they could have used much valuable data to advantage.

We agree with the authors 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 and that the only method of obtaining such a valid picture is thorough systematic surveys. Having agreed on this, we fail to understand why an attempt has at all been made then to derive such a distribution on the basis precisely of such 'administrative' statistics.

Weak Estimates

To start with, the total reproducible tangible wealth of the country for 1966-67 has been estimated by the authors by two methods. The first method, the estimate of which has also been chosen for further analysis, is to take the Reserve Bank's earlier published estimate for 1960-61 as the benchmark, and to convert the same to current prices of 1966-67 with the help of an implied index of investment cost (obtained from CSO series of capital formation at current and constant prices). Thereafter, the price-adjusted net capital formation achieved during the period 1961-62 to 1966-67 is added to this. The most serious objection to this approach is the use of RBI's earlier estimate (Rs 32,164 crores) as benchmark — which according to the source was weak — and when the revised estimate (Rs 46,622 crores) is available for that year in the October 1972 issue of the *Reserve Bank of India Bulletin*. The derivation of capitalisation rate in the second method, to estimate the total reproducible tangible wealth of the country, has many limitations. The estimates based on this procedure lose further ground as the same are obtained by assuming constancy of capital-output ratios over time for the different sectors of the economy for the entire period, 1960-61 to 1966-67, which according to the authors is a short period. The reproducible tangible wealth of the country for 1966-67 has thus been estimated at Rs 63,773 crores by the first method and at Rs 61,411 crores by the second method as against the estimate of Rs 73,120 crores for 1965-66 published in the October 1972 issue of the *RBI Bulletin*.

Interestingly, the authors derive satisfaction by saying, "There is thus a close correspondence between the above two estimates, though the methods of estimation are independent of each other". It may be emphasised that the first estimate is higher than the second one by as much as Rs 2,400 crores although Jakhade and Shetty have managed to bring out close correspondence between the two by pointing out underestimation in the government services sector, of some Rs 2,000 crores, in the second estimate. Thus it becomes clear that the aggregate estimate of wealth, as worked out by the authors, is based on shaky ground and is very weak.

The assumptions made for working out the RTW of the government sector and private organised sector, which have been deducted from the aggregate wealth to obtain the household wealth, are very weak. To mention a few, the share of the private organised sector in the total wealth of the country, at 15 per cent for 1960-61, has been assumed to be the same for the entire period of 1960-61 to 1966-67. The implied index of investment cost as worked out from CSO's estimates of capital formation for the entire economy, has also been used for the government sector as a whole and also for a sub-sector of the government sector, *viz*, improvements in land, irrigation, etc.

To cite one example out of many of gross conceptual errors and inaccuracies noticed in the calculations, which are unpardonable, reference is made to Table 8 on page 680 (April 27, 1974), presenting estimation of public sector wealth in the form of improvements in land, irrigation, etc. While column 1 of this Table gives capital outlays on such works for each of the years 1960-61 to 1966-67, column 2 presents the figures after adjustment for depreciation. However, depreciation is adjusted only on the current year's capital outlays and not on cumulative net investments since 1960-61, plus that on the current year's outlay. It is a very elementary principle that depreciation on investment has not only to be provided for in the outlay for a year in which investment is actually made but for the preceding years. Thus, apart from conceptual errors, to what extent the final estimates will be affected by such errors in calculation, is anybody's guess.

In order to derive the non-farm household wealth, the entire wealth held in the group, "Agriculture, Animal Husbandry, and Allied Activities", and 80 per cent of house property in rural areas is assumed to belong to the farm household sector and is deducted from the total household wealth which itself, as stated earlier, has been obtained in a roundabout way. This assumption has been made on a very rough ground and needs to be corroborated by an independent source.

Fallacies of Distribution

Jakhade and Shetty, after arriving at the estimates of reproducible tangible wealth of the non-farm households, go on to present its distribution with the help of official data on wealth-tax and income-tax. It has been assumed that, in a given year, all wealth tax assessees belong to the highest income brackets as revealed by the income-tax assessment data. That is, when income-tax assessees are arranged in 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 correspond to each other so that the wealth held by them corresponds to their income assessed. From a comparison of the total wealth assessed and total income assessed for the total number of wealth tax assessees, which also correspond to income-tax assessees in the highest groups of income, the capitalisation rate for the year has been worked out. This capitalisation rate has been used to convert the income assessed into reproducible tangible wealth and also the various ranges of income assessed to the various ranges of the reproducible tangible wealth held by the households. Thus, the working implies that the coverage of the items assessed under wealth-tax is the same as those falling under the concept of reproducible tangible wealth. Unfortunately for the authors, this is not so as they can themselves verify inclusion and exclusion of many items in the former from that of the latter. Thus their capitalisation rate will not yield the distribution of reproducible tangible wealth with the non-cultivating households; at best, it may point out the assessed value of assets included under the Wealth-Tax Act.

It deserves to be noted that the capitalisation ratio is based on *assessed* wealth and assessed incomes. Assessed wealth is arrived at after deducting for certain exemptions. Today, such exemptions amount to almost Rs 2.5 lakhs. Any rational human being would so invest his fortunes as to claim the exemptions, e g, shares and residential houses. So also, assessed income is worked out after deducting certain admissible exemptions. Thus, the capitalisation ratio, derived from *assessed* wealth to *assessed* income, will not be the same as it really obtains between aggregate wealth to aggregate income of a household. Any attempt to ignore this aspect will give misleading results.

As pointed out in the paper, according to 1966-67 data, the percentage of households paying income-tax to total urban households is 4.1 and the percentage of households paying wealth-tax to total income-tax assessed households is 4.6. Thus, the households paying wealth tax to total urban households form a mere 0.19 per cent. This insignificantly small percentage of households has been used by the authors to derive the distribution of wealth for the entire non-farm households.

Arbitrary Procedure

As indicated in the earlier paragraphs, the distribution of wealth has been derived by juxtaposition of wealth tax data and income-tax revenue statistics for the same number of assessees and the working of this part is really interesting. Starting with the highest income slab and coming towards the lower income slabs, an attempt has been made to equate the number of such income-tax assessees with the total number of wealth-tax assessees. In any normal situation, it is impossible to have an exact tally of this type. To have this, the authors have chosen to divide the number of assessees and their income assessed in a particular range of income on just *pro rata* basis. When arrangement of the income-tax assessees in ascending order of income is the first assumption of this analysis, it is very incorrect to adopt such an arbitrary procedure of division. In fact, inclusion or exclusion of even a small number of assessees in the dividing income range will materially change the capitalisation rate. This observation holds good also for Tables 14, 16, 20 and 21 where too this crude way of division of income range/asset groups has been adopted.

As pointed out earlier, the entire exercise of deriving the wealth distribution is based on households paying wealth tax which form a meagre fraction (0.19 per cent) of total number of urban households. Such households belong to the net wealth assessed groups of Rs 2 lakhs and more, and according to the income assessed group in the income range of Rs 40,001 and more for 1960-61. The capitalisation rate obtained for such a meagre fraction, and special category, of people has been applied to an entirely different category of people belonging to the income assessed groups of Rs 3,001 to Rs 40,000. The usage of the capitalisation rate of the first category of income-tax assessees to that of the second category of wealth tax assessees is entirely inappropriate and misleading. Even after all this, the authors could not say anything about the wealth distribution of the remaining non-income-tax paying urban households, which form more than 96 per cent of the total urban households — except that for these households the total reproducible tangible wealth has been derived as residual.

The entire attempt of getting the wealth distribution is futile. Since, to obtain the ranges of wealth and the wealth possessed, the same capitalisation rate has been applied to the ranges of income and also to income assessed, the resultant distribution of wealth is nothing but the income distribution according to the income ranges. Thus, for example, the proportion of households and proportion of their wealth in the two size groups of wealth, as presented in the Table on page 729 (May 4, 1974), will be the same as that of corresponding income ranges.

As pointed out in the earlier paragraph, adoption of the same capitalisation rate to different income groups for the same year, is highly objectionable. As observed by Gulati, the rate of capitalisation may be high at higher income levels. Our objection becomes stronger when it is found that the same rate as obtained in 1960-61 has also been applied to the other two study years, so wide apart, i e, 1949-50 and 1966-67. The authors have justified the use of the uniform capitalisation rate by saying that different rates have not been applied because they would have been arbitrary. Thus the constancy of rate has been maintained for all the three years — though, for 1966-67, separate capitalisation rate has been worked out which the authors somehow find unacceptable. Since the entire exercise of getting the wealth distribution, which is the main theme of the paper, depends on the capitalisation rate, it should be expected that the authors take more trouble to look into the official statistics in detail for studying the differences in capitalisation rates at different levels of income in the same year and also in different years. Such an exercise, even on sample basis, could have given a somewhat better picture of the distribution of wealth.

Major Pitfalls

The authors of the article indeed create confusion after confusion — perhaps because they were eager to present some results. For instance, they have also tried to compare the wealth distribution (as derived by them) of so-called 'urban households' with that of 'rural households' as available from the Reserve Bank's All-India Rural Debt and Investment Survey of 1961-62. The two major pitfalls of this attempt are:

(i) the two types of households are not at all comparable as they are not mutually exclusive; the first type of households include all urban (including cultivating households) and rural non-cultivating households, while in the second type of households are included the rural cultivating and non-cultivating households; and

(ii) while the size-classes of the study are based on wealth assessed under the wealth-tax laws, that of the Reserve Bank's study relate to assets in possession of the households. Naturally, the coverage of the items under the wealth-tax and that under the assets holdings in the AIRDIS is not the same; as such, the results based on these two different classifications are not comparable.

To conclude, the whole study is just a confused attempt to depict a distribution of wealth based on many unrealistic assumptions, and is full of conceptual and computational errors. It does not lead the reader anywhere; rather it misleads on the important subject of the distribution of wealth. It might have been better to wait for proper data and then apply appropriate techniques to the same, to get results really useful to the public and the planners. If this is not possible, one should do without any such distributions.

Distant Thunder Breaks over India

Ranjit Sau

And all the while, ... an Indian fell
in the morning:
a body spun off, an anonymous chattel.
some numeral tumbling,
a branch with its death running out of
it in the vat of the carrion, fruit
laden and foul.

— Pablo Neruda

IN the silhouette of gathering darkness they appear: first, a hesitating few; then by tens, by hundreds, and soon in the torrents of thousands upon thousands — those emaciated shadows of human beings trekking to cities in search of food. The heavy footsteps of ravaging famine shatter the eardrum. Safe at a distance, Ganga, shaken out of wits, looks for reassurance at the pretty face of his pregnant wife, Ananga, the bourgeois symbol of eternal love, immanent continuity, and resignation to inexorable fate. And so the curtain falls on Satyajit Ray's latest movie, *Ashani Shanket*, or *Distant Thunder*.

The distant thunder has now broken over India. Reports are pouring in — mothers killing, selling or abandoning their children; women turning prostitutes; hungry hordes swarming the towns and cities; millions trying to survive on grass, seeds and wild roots in villages, and dying in the wilderness. The Gangas and Anangas though safe at a distance are counting the days with heightened anxiety. The dying is piling up on the dead. 1943 has come back with a vengeance.

Conflicts and Tensions in Bold Relief

Crisis is a product of contradictions; a crisis intensifies the contradictions. This crisis will sooner or later pass over into the pages of history. But will the society as a result move one step forward, or will it retreat two steps back? Will the revolutionary forces of the society be accelerated? Will the consciousness of the masses be aroused? Or, will the reactionary elements in the society get another lease of life with even more ferocity?

This famine has arrived in the crest of a prolonged over-all economic setback. In the flash of its thunder you can see some of the conflicts and tensions of the economy in bold relief. Along the long-term trend line the home market of India's industry is vanishing as an average consumer is spending proportionately less and less of his budget on industrial goods.[1] Agricultural output has failed to keep pace with time; and the soaring foodgrains prices have eroded the consumer's budget. The parade of five-year plans with all its paraphernalia and windfalls has totally bypassed the vast majority. More than ever before, the farm lobby holds the country to ransom.

Meanwhile, the country has been sold out to the gnomes of aid. By March 1973, India had swallowed 'foreign aid' to the tune of Rs 12,510 crores which is equivalent to about half of the national income. That is to say, the cumulative 'foreign aid' per capita amounts to the consumer expenditure of an average Indian for nearly six months. Today, four-fifths of the 'foreign aid' received every year is being spent on servicing only the past debts.[2] What else is bankruptcy?

Caught in the Pincer

Caught in the pincer of a dwindling domestic market and the drying up of 'foreign assistance', India's industry is feeling extremely jittery. The hyper-inflation of the last few years is now capped by the famine: the industrial bourgeoisie of India has fallen in its worst days since Independence. The contradiction within the ruling classes of India has matured.

The class interests of the industrial or commercial bourgeoisie do come into conflict with those of the agricultural bourgeoisie or feudal elements at different stages of economic development and in various forms. The history of England in the eighteenth and nineteenth centuries, of Germany in the nineteenth and twentieth, and of the inter-war Japan, for instance, abounds with illustrations.[3] And if that is any index, the tussle of the interests of exploiting classes gets resolved through the escape route of repression of workers and peasants at home, and aggression abroad. Imperialism-cum-fascism is the golden key to disentangling the knot of conflicting class interests of exploiters. The stagnation-inflation-famine of India therefore augurs if anything a renewed phase of more ferocious exploitation within, and calculated sub-imperialism without. The clock of history then would be turned back.

Of these endless line of uprooted, hungry men, women and children, some will return home with their bones in one place; others will fall by the wayside. These famished millions who languish in starvation to death will cast their long shadow over the others who barely scrape through. For the years to come their ghosts will thicken the darkness in rural India.

Those who survive in the fierce struggle to live on the rotten garbage in the streets of Calcutta will either melt away in this city's boiling pot of the underworld, or go back to the village only to be sold as a chattel to a landlord or jotedar. From crisis to crisis the noose around their neck thus gets tightened by few more notches.

Not a Matter of Elasticities

It is an irony which borders on inanity that the economists consider the present crisis basically as a matter of four elasticities of demand and supply, or of 'too much money chasing too few goods'. When the exploiting classes are riddled with internal contradictions; when they are trying but not yet ready to regroup in order to mount a fresh offensive on the workers and peasants as a solution to the current crisis; when the situation is in flux; it is idle, if not worse, to be lost in myopia. This is the opportune time for the progressive forces to converge on high missions. This is the time to make history. Hold the price line; distribute more food at low price; yes, these are good slogans, kind gestures and absolutely minimum demands. But that is not all.

Despite the zigzag, India is certainly heading towards a fundamental social and economic transformation. Economists should realise that they have a role to play in this great epic. Neutrality is a misnomer. Neutrality is the *nom-de-plume* of supporting the *status quo*. You cannot be neutral between the life and death of the millions.

Notes

1 Ranjit Sau, "Some Aspects of Intersectoral Resource Flow", *Economic and Political Weekly*, Special Number, August 1974. Please note that there is a printing mistake in this paper: Table 2 relates to urban India, not rural.

2 Reserve Bank of India, *Report on Currency and Finance*, 1972-73, pp 242 and 246.

3 See Ranjit Sau, "Arthanaitik Sankat O Shoshak Shreneer Antardwandwa" (Economic Crisis and the Internal Contradictions of the Exploiting Classes), *Ekshan*, Autumn 1974.

Efforts directed to development and improvement **Glaxo**

Statement of the Chairman, Mr. S. Bhoothalingam



THE economy of India is still reeling under the effects of high inflation. Policies recently introduced by the government are beginning to make themselves felt. However, we can hope for an enduring change for the better only after further effective measures are implemented to enable an all-round increase in production in all sectors — agriculture, power, transport and industry. Although this will take time, I have enough faith in the reserves of resilience of India to be convinced that economic health will be restored and the country will resume development at a faster pace.

THE YEAR'S RESULTS

Glaxo has so far been reasonably successful in coping with the problems created by inflation. Sales in 1973/74 reached Rs 35.38 crores, an increase of 14.2 per cent over the previous year. Increased volume of sales accounted 10.8 per cent and price increases only 3.4 per cent. Due to price control there was hardly any upward movement in pharmaceutical prices. This has been our experience for several years. Compared to 1961/62 the price index of all commodities moved from 100 in that year to 254 in 1973/74. For the same period, the index of pharmaceutical prices moved from 100 to only 142. Over the last four years there has been virtually no rise in pharmaceutical prices, although costs of the inputs have been going up steadily and fast. The increase in the cost of material has been particularly steep during 1974. By unremitting pursuit of productivity and efficiency it has been possible to maintain reasonable profitability, but this process cannot go on indefinitely. Suitable and timely price increases to compensate for rising costs cannot hereafter be postponed or delayed except at the cost of damaging the industry.

PRICING POLICIES

Whilst I fully accept the need for restraint and the regulation of prices, an overhaul of pricing policy is needed urgently since such regulation, intended to benefit the consumer, must not be self-defeating. A sound pricing policy must always offer both incentives and opportunity for increasing production. The paradox of price control, not only in pharmaceuticals but in many other commodities as well, is that the temptation to fix prices too low on the ground that the commodity is required for mass consumption eventually leads to exactly the opposite effect — inhibiting the growth of production of these very commodities.

One simple and obvious way of protecting the interest of the consumer has been neglected for far too long. That is the conscious use of competitive forces in the marketplace in the interests of the consumer. For every important end use there must be at least two or three reasonably effective products made by different manufacturers of comparable efficiency and resourcefulness. The rigid application of industrial licensing policies has needlessly reduced the scope of this type of beneficial competition.

IMPORTS

Dependence on imported materials in the pharmaceutical industry is now not very great. In 1973/74 the CIF value of imports, including canalised imports, was only 8.8 per cent of the total production of the industry at sale value. In the case of Glaxo the percentage was only 3.2. Although the quantum of imports is thus very small, a small increase in imports can bring about a large increase in production, more than ten times as large. This surely ought to be one of the main criteria for fixing the import allocation for the pharmaceutical industry. This allocation must take realistic note of the effects of inflation on the prices of imports. This is of particular importance since shortages have begun to appear in the case of several drugs and this may spread if production is not enhanced urgently.

In spite of recessionary tendencies in some sectors of the economy, the effective demand for pharmaceuticals will continue to increase by at least 15 per cent per year. The industry has reached a stage of development when further import substitution will take a little longer than before. In the short run, therefore, it is necessary that there should be an increase in the import allocation commensurate with the desired increase of production. While some extra liberal treatment may be justified and even called for in the case of the smaller units, this should not come in the way of allowing the larger units

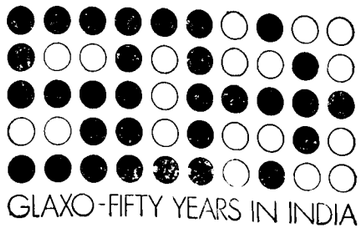
the kind of imports which they really need.

In conclusion, I would like to say that while grappling with current problems our eyes remain steadily fixed on development and improvement. This I believe would be possible within the ambit of broader government policies if, as I hope, they are implemented in a constructive spirit.

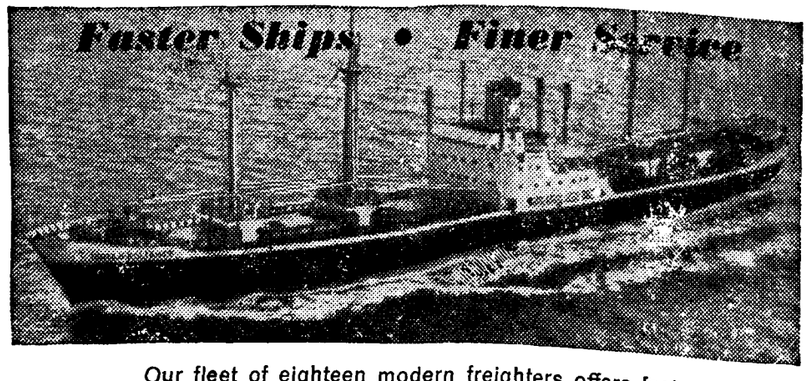
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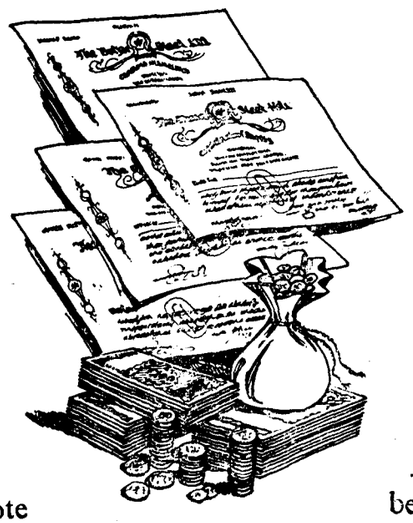
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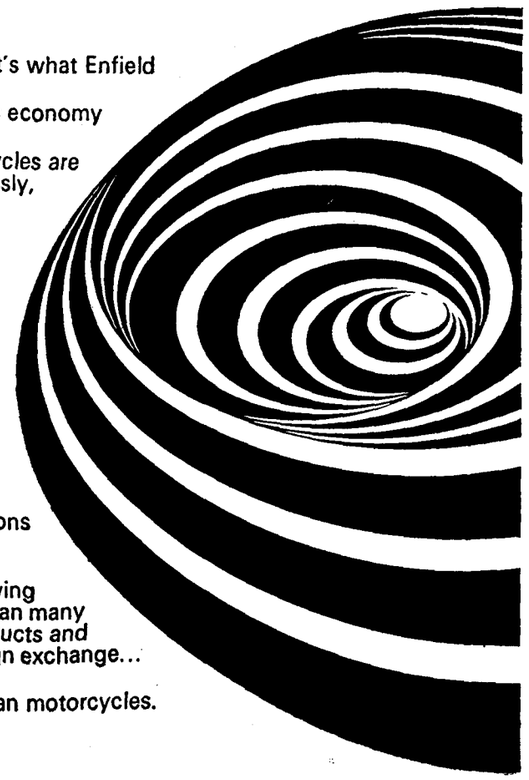
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A Matter of Definition

THE government is already armed with extensive powers to deal with those whom it, for one reason or another, happens to dislike. It has also shown its readiness to use these powers to the hilt. It may, therefore, appear rather pointless to protest against a further enlargement of these powers. The government has kept close to 20,000 political prisoners in detention indefinitely without trial; it has been charged with torture and liquidation of large numbers of those whose political views and activities it has found unpalatable. It has been able to do all this without being called into question by the judiciary of the land. Such a government, it may be argued with some force, does not stand in need of further legal powers.

Yet the appetite for arbitrary power is evidently insatiable. On Saturday last the President issued yet another ordinance, depriving those detained under section 3(1)(c) of the Maintenance of Internal Security Act of the right to move the courts for enforcement of the rights conferred under Articles 14, 21 and 22 of the Constitution for a period of six months. The rights in question are, among others, those of equality before law and equal protection of the law and the right not to be deprived of life and personal liberty except according to procedure established by law.

Here was the government, it may be noted for form's sake, issuing an ordinance when Parliament was actually in session; what is more, six days after the proclamation of the ordinance the bill to replace the ordinance had still not been introduced in Parliament. This, let us repeat, is largely a matter of form; for, with the majority which it has in Parliament, there is not the slightest doubt that the government will be granted any powers which it asks for.

Let there be no illusions, however, that the ordinance will make any material difference to the government's sagging campaign against smuggling. Out of the 580 or so alleged smugglers arrested under MISA, the courts had ordered the release of some 20 at the time the ordinance was issued. In most of these cases the courts had overturned the government's detention orders on the ground that the reasons for detention had been framed so vaguely that the detenu would not be able to make an effective representation against his detention. As a result, the Central government had been constrained to ask the states to exercise more care in framing charges against alleged smugglers. Certainly, the Central and state governments have all the information they need to frame the charges properly. In fact, even newspapers, despite our stringent libel laws, have come up with articles on the doings of individual smugglers, complete with exact dates and precise details of particular transactions. That in many cases the charges against alleged smugglers were nevertheless framed so vaguely as not to fulfil even the very unexacting requirements of MISA can only point to negligence or worse on the part of the detaining authorities.

Indeed, the manner in which the charges against alleged smugglers have been framed strongly supports the view that, for all the propaganda mileage it has derived out of it, the government is not really very serious about its drive against smuggling. No steps have been taken to break up the organisational networks of the smugglers or to close the distributive channels for smuggled goods. The government has also not cared to take the most obvious measures to check the illegal flow of foreign exchange out of the country with which the smuggling business is financed. It would not be uncharitable at all, therefore, to suggest that what the government is after is to create the popular impression that it is straining every nerve to curb the menace of smuggling, without actually hurting smuggling activity overmuch.

Last Saturday's ordinance fits neatly into this design. While seeming to be a truly draconian measure, it is unlikely to worry the smugglers overmuch. The majority of the alleged smugglers under arrest are apparently in no hurry to embarrass the government by securing their release through appeals to the courts. That apart, despite the ordinance, the Delhi High Court on Friday ordered the release of two alleged smugglers — once again for the reason that the grounds of detention were irrelevant and non-existent and that the detaining authority had not applied his mind while making the detention order.

The implications of the ordinance are thus ominous not for the smugglers but for those political elements who have been so far the main victims of the exercise of the government's powers under the MISA. The explanation that the

ordinance applies only to those arrested under section 3(1)(c) of MISA, which refers to smuggling and smugglers, fails to carry conviction. Such niceties of definition are unlikely to come to the rescue of those whom the government is determined to put down. Recently, when faced with the Amnesty International's disclosure that there were between 15,000 and 20,000 political prisoners in West Bengal, the government coolly countered that the number of "political prisoners" in the state was precisely 1,609; the rest were simply not defined as political prisoners. Only the very naive will, therefore, place their trust in the manner in which the government may at future dates and in particular cases choose to define who is a smuggler and who is not or who is likely to act in a manner prejudicial to the conservation of the country's foreign exchange resources and who not.

The government's evolving morality in these matters was spelt out the other day — appropriately, considering his own personal credentials in such matters — by the chief minister of Haryana, Bansi Lal. The chief minister declared in Karnal on Thursday that all those students who participate in any JP-inspired agitation against his government would be debarred for ever from state government jobs: worse, their names would be entered in the 'history-sheets' at police stations in their home villages, presumably laying them open to life-long police harassment. Now, there are supposed to be reasonably definite rules about what does, and what does not, constitute a disqualification for government jobs, whether in the states or at the Centre. But, obviously, the government has no use for these rules. If it becomes necessary to blackmail young men and women to prevent them from expressing their dissatisfaction with the government, then the government will do precisely that, by threatening them with denial of employment opportunities. And to hell with the rules.

Engineering Industry

Fruits of Lobbying

A HIGH-POWERED committee, headed by the Secretary to the Department of Heavy Industry and consisting of senior officials from other ministries, has come up with recommendations for stepping up exports of engineering goods to Rs 600 crores by the end of the Fifth Plan. That it was able to persuade the government to appoint the committee testifies to the lobbying influence of the engineering industry. What is more, the recommendations of the committee would have been scarcely different had it been composed not of government officials but of representatives of the large companies in the engineering industry.

The importance of stepping up exports of engineering goods is not in question; but what is one to make of recommendations such as that "questions of economic concentration, large houses, small-scale industries, etc. should not be injected into our export policies"? The committee's other recommendations also bring out its bias. It argues, for instance, that stipulating an export obligation for substantial expansion or permitting foreign collaboration only for development of new products or allowing production in areas reserved for the small-scale sector only if the major portion of the output is exported, all nullify the main objective of export promotion. In the Committee's view, attaching such conditions amounts to putting fresh obstacles in the way of our export effort, in addition to the existing ones like inadequate production, shortage of raw materials and the intense competition in foreign markets from established exporters from other countries. According to the committee, producers should be assured automatic permission to expand output within the broad guidelines set by government.

There is merit in the suggestion that production for export, in excess of the stipulated minimum quantum of exports, should be allowed and raw materials and other inputs for this made available. But it is quite a different proposition to suggest that government approval should not be necessary for expansion of production and that it should suffice if the unit simply notifies the government about the expansion. This recommendation is justified on the ground that there are procedural delays in approving expansion of capacity even where the unit proposes to export the entire additional production. But would it not have been more to the point if the committee had examined possible ways of reducing these delays instead of recommending the removal of controls on industry? Equally startling is the suggestion, made in the same context, that the present policy of insisting on Indian participation should be given up and even 100 per cent foreign equity allowed. This is an attempt to further dilute the operation of the Foreign Exchange Regulation Act, in addition to what has already been accomplished in the Guidelines to the Act issued by the government nearly a year ago.

The engineering goods industry enjoys several attractive incentives for export of its products. Despite these incentives, exports of engineering goods during the last few years have been very disappointing. Yet the committee considers it necessary to lavish still more incentives on the industry. It is suggested, among other things, that the government should work out a formula for allowing export investment rebate on investment for export production on the same lines as the erstwhile development rebate.

Except for the suggestions for reducing procedural delays and removing difficulties in the disbursement of cash incentives and tax rebates, the effect of the substantive recommendations of the committee would be to dismantle the bulk of the existing regulations governing the engineering industry. It is difficult to be convinced that these recommendations are intended to step up exports of engineering goods. Despite its formal terms of reference, a general relaxation of the regulations to which units, especially the larger ones, in the engineering industry are subject, rather than specifically the expansion of exports, appears to have been uppermost in the committee's mind. How else can one explain the committee's position that export obligations need not be insisted upon, that the areas reserved for small-scale industry should be thrown upon to all without any commitment to export and that 100 per cent foreign participation should be permitted without an undertaking to export the entire output. It is, of course, true that in the past the imposition of export obligations has not resulted in a commensurate expansion of exports. But this has been so because the export obligations have been half-heartedly enforced. The solution, therefore, is not to release units from the obligation to export, as the committee suggests, but to ensure that the obligation is in fact fulfilled.

Food Aid

A Matter of Internal Distribution

THE much-flaunted World Food Conference at Rome has ended in a predictable manner. A certain style of functioning has become a necessary part of all United Nations operations. The periodic conferences, the working

party meetings, and the rest of the hocus pocus organised by the organisation are by now little more than a facade for clandestine manoeuvres and manipulations. The meeting in Rome was no different: It was as if a shadow play was being enacted for the edification of ordinary spectators, while the real drama was unfolding behind the scene. As at all such conferences, there was interminable talk with a lot of expenditure of public funds. A whole lot of resolutions, meaning all things to all men, also got passed. Each of these — including the one proposing a Security Council for Food — can be viewed as a total waste; but then, such waste has become inseparable from the *modus operandi* of international existence. Such wastage has been recognised as a necessary adjunct of survival in an open world, if tension in it is not to break out into open warfare.

That the conference on food met at all, indicates a certain stirring of emotions, however. It reflected perhaps a developing awareness that the phenomenon of hunger and deaths from famine in particular parts of the world could be a destabilising factor and could affect the security of even well-fed and well-entrenched nations. A better order of distribution of food, insofar as this could be arranged without harming the overall interests of the food-surplus nations, has been recognised, however obliquely, as an integral part of the code of international living. It would still be a gross mistake to assume that the task of a more equitable distribution of food can be completely abstracted from the interplay of national interests and egos. Food-surplus nations come to such conferences and, for reasons of public relations, talk in lofty terms on the imperative need to provide for the hungry. But there is going to be no open commitment on their part to supply food for the needy. Such commitments will still be the end-product of intense bilateral negotiations alone: At such negotiations, there will be a toting up of the plus and minus points, and the trade-offs will be carefully worked out. In any case, there will be no binding, long-term arrangements. What each surplus nation will agree to give will be determined by the degree of commitment on the part of other, similarly placed, nations. It will also depend on the reciprocities likely to flow, whether political or economic. Inevitably, the open conferences are reduced to rituals; and the poorer nations in their frustration are driven to convert them into so many replicas of the UNCTAD or of the Second or Third Committee of the UN General Assembly.

The deficit nations may wax indignant that such should be the case. This indignation too can only receive short shrift. In this matter, introspection is called for on the part of all nations — surplus as well as deficit. What prerogative, for example, has the Government of India to look askance at the United States of America or the Soviet Union or Australia or Canada, when some of its own behaviour could be called in question?

On the purely academic plane, as of now there should be close to 70 to 80 million tonnes of surplus foodgrains available in various parts of the world, a significant part of which could be sent out at concessional terms for the succour of nations whose populations are currently dying of hunger. But such argument can be extended. A Government of India representative moved a resolution at the Rome conference suggesting that "every well-fed person in the world — that is, anybody consuming more than 2,000 calories a day — should give up a meal as humble gesture which would have meaning in the present context of the world food crisis". The government of a food-surplus country could well have needled the Government of India on whether it has been able to enforce within its own territory the dictum it is preaching. It would be easy for any off-beat professor from a surplus country to calculate the per capita availability of foodgrains in the different regions of this country and to counsel a more equitable order of internal distribution as a preliminary measure for tackling the country's food crisis. It would be equally easy for an administrator belonging to, say, the US Department of Agriculture to suggest that till as long as India does not improve its own internal system of procurement and distribution, she has little case to press for a freer flow of grains from the United States.

The need for greater forthrightness and candour could hardly be overemphasised. Is it not extraordinary that, in all the discussions taking place in the country and outside, not one official admission has been forthcoming of the fact that, in the current season, food has been short in some parts of India and that the government failed to reach food to at least a few thousands who have died of starvation? At Rome, the Union Agriculture Minister blandly repeated the falsehood that not one starvation death has taken place. One talks of a failure of conscience among the surplus nations. Can not one talk of abdication of morality among those at home as well? One laments over the fact that the issue of a fairer distribution of food has become a plaything of international politics. Is it any different within the country?

The Prime Minister, for instance, has found time to visit quite a number of places in the course of the past two months. She has found time to participate in any number of inaugural occasions and anniversary meetings. But she has not found time to visit any of the eastern states where people have been dying because of lack of food. No doubt, such visit would be open admission of starvation in parts of the country — which the government *will* not admit to. Such deaths have nothing to do with the alleged lack of sympathy on the part of foreign nations. People have died, and are dying, because food available within the country was not, and is not, being distributed in any equitable manner.

The problem is thus again seen to be clearly linked up with the problem of income distribution; the bulk of those who have died in the eastern states did so because they did not have the income with which to buy the grain that was there: It was not so much a failure of food supply as of lack of income. If income continues to be distributed in a frighteningly skewed manner, extra supplies of food would be of no avail; and some people will continue to die.

Gujarat

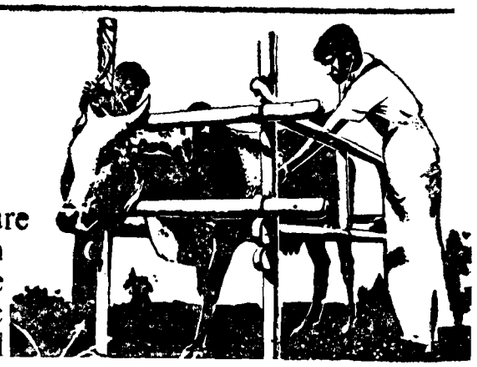
Uses of the Sardar

Our Gujarat Correspondent writes:

THE celebration of the 100th birth anniversary of Sardar Patel on October 31 had a special significance in Gujarat. The celebrations provided an opportunity for politicians of all parties to break the lull in their activities after the imposition of President's rule in March. The public image of the professional politician had been so severely tarnished as a result of the mass movement led by the Nav Nirman Samiti that the politicians could not have dared to address public meetings except on the pretext of paying homage to Sardar Patel. No political party, therefore, missed the opportunity to re-establish its contact with the people.

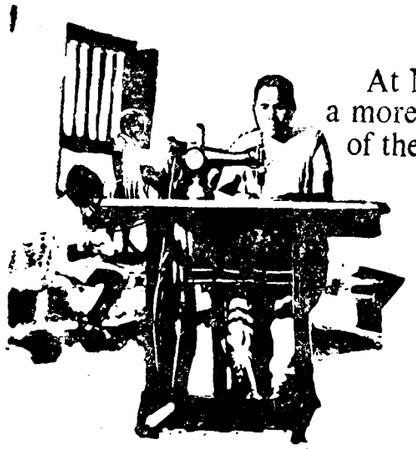
In a sense, the Sardar centenary marked the beginning of the campaign for the next assembly elections which are expected to be held early in 1975

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challenge

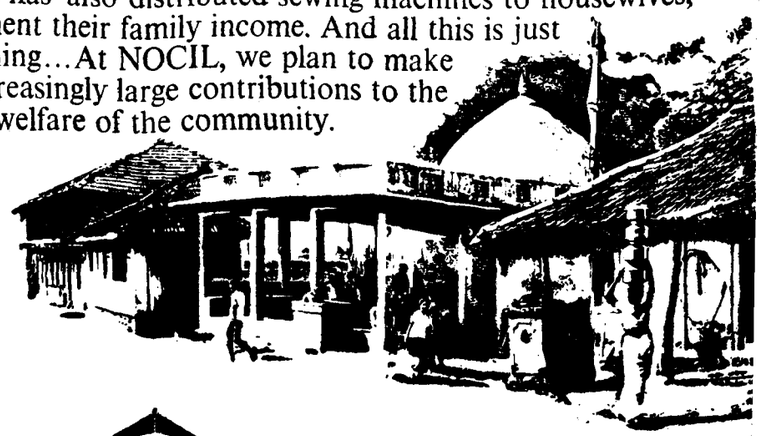


At NOCIL, we believe that organised industry must play a more positive role in contributing to the economic well-being of the people. And so, we've made a modest beginning towards this end. Our efforts have been concentrated in the villages of Ghansoli, Talavali and Gothivali, near the NOCIL Petrochemicals Complex in Maharashtra. With technical and financial assistance from NOCIL, a Community Welfare Programme is helping to raise the standard of living of the villagers.

The villagers, having themselves selected projects which could supplement their income, actively participated in the setting up of a Cattle Insemination Centre— supervised by a full-time veterinarian. This Centre will soon help boost milk yields, and increase the income of the villagers. The scheme is now being run by the villagers on a co-operative basis.

NOCIL has also distributed sewing machines to housewives, to help supplement their family income. And all this is just the beginning...At NOCIL, we plan to make increasingly large contributions to the welfare of the community.





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AIYARS-NOCIL

Preparing for the elections is going to be tricky for all the political parties, for the movement launched by the Nav Nirman Samiti shook the people's confidence in not only politicians and political parties but also in the system of elections and in parliamentary institutions. That the popular disenchantment was by no means limited to the Congress is amply evident from the fact that all the opposition parties, including those which had supported the Nav Nirman Samiti's movement, have had to lie low for the last many months. These parties now face the difficult task of persuading the electorate, particularly in the urban areas, to take their campaigning for the forthcoming elections seriously.

This is not to suggest that the Nav Nirman Samiti itself had a coherent revolutionary ideology or an extra-parliamentary programme of political action. If it had, it would not have fizzled out as it did after the dissolution of the assembly. Nevertheless, the Samiti's movement did succeed in making explicit the people's loss of faith in the corrupt politicians, political parties and political institutions.

The first task of the political parties in Gujarat, therefore, is to bring the masses back to the election arena, so to say. It is in making a beginning with this task that the parties found the occasion of the Sardar's birth centenary very useful. By drawing attention to their connection, however peripheral, with Sardar Patel during the Independence movement, they tried to re-establish their political credentials.

Almost every political party fielded its big-wigs to address public meetings as part of the centenary celebrations. Most active among all the parties was the Congress(O) which, under Morarji's leadership, remained in the forefront of the celebrations. It arranged public meetings in at least five districts. Asoka Mehta, too, joined the show — rather pathetically, because during his life time the Sardar had rarely a kind word to say about JP's young Socialist group in the Congress of which Asoka Mehta was a prominent member. It is an irony of contemporary Indian politics that, instead of helping JP in Bihar, Asoka Mehta should be hobnobbing with Morarji in Gujarat.

The ruling Congress, realising the extent of its loss of face during the Nav Nirman movement thought it wiser to arrange a visit by the President of India to the state on the occasion of the centenary. Fakhruddin Ahmed went to Karamsad, the birth place of Sardar Patel near Anand. The discredited Gujarat Congress leaders clung desperately to the President's coat-tails. It is difficult to say, however, how much good the President's visit did the Congress. The vulgarity of the expenditure of several lakhs of rupees for such purposes as acquiring a brand new, specially long, red carpet for the President's reception at the Ahmedabad airport and the putting up of iron railings on both sides of the roads by which the Presidential motorcade travelled — at a time when the government is pleading its inability to provide funds for continuing relief works in the 13,000 villages which have been officially declared drought-stricken — could not have been entirely lost on the people.

The most unexpected visitor who descended on Gujarat during the Sardar centenary was Charan Singh, president of the newly-formed Bharatiya Lok Dal (BLD) from far away UP. His visit had been arranged by the new Gujarat party, Kisan Majdoor Lok Paksh (KMLP), formed by the disgraced former Chief Minister Chimanbhai Patel. Charan Singh started his tour of Gujarat from Bardoli where Sardar Patel had led the successful satyagraha by farmers against the British. Bardoli's present significance in Gujarat politics is that it is one of the strongholds of the growing kulak class in the state. As a complete stranger to this part and with pretensions of being a farmer himself, Charan Singh proved to be quite a draw.

Jan Sangh's part in the centenary celebrations was very restrained. The only parties which could not, given their ideology and history, participate in glorifying Sardar Patel were the communist parties. But then, the communist parties exist only nominally in Gujarat politics.

Soviet Union

For a Mess of Dollars

A Correspondent writes :

IMPERIALISM is the striving for "spheres of influence, *i e*, spheres for profitable deals, concessions, monopoly profits and is an economic territory in general" (Lenin). Spheres of influence or "special relationships" have been very profitable for the Soviet Union and detrimental to the Third World countries involved. At the height of the oil embargo last December, the Soviet Union was able to buy from Iraq a quantity of oil worth £ 6 million in return for arms. Even before it was delivered, the same oil had been sold to West Germany for £ 18 million.

Another country caught in the net of a special relationship with the Soviet Union is Afghanistan. Russia has been buying gas from Afghanistan at the rate of 19.5 cents 1,000 cft while the price paid to Iran was 30 cents and the price at which Russia itself sold gas to Western Europe was 44 cents in 1970. Despite the rapid increase in international prices, Russia refused to pay a higher price. Only from October this year has the price of Afghan gas been increased to 34 cents, which is still a bargain at current international prices.

In this ruthless pursuit of profit, the Soviet Union sacrifices all principles and betrays the liberation movements of the oppressed peoples. Not only did the Soviet Union profit from and weaken the oil embargo, it has been aiding Israel in its occupation of the territories captured from Arabs.

Immigration was crucial in the formation of the Israeli state, and has continued to be important ever since. Colonisation in military-cum-agricultural settlements has been the classical Zionist way of increasing the territory under its control. Since 1967 more than 1½ lakh Soviet Jews have emigrated to Israel — they account for the vast majority of recent immigrants.

As if this were not sufficient betrayal of the Arab and, particularly, the Palestinian people's struggles, the Soviet Union has now gone further and agreed to an increased flow of Jewish emigrants — from the current 30,000 to 60,000 per annum.

The US, no newcomer to this kind of game, has been able to exact this as the prices of relaxing the discriminatory tariffs against the USSR. Both countries are keen on expanding trade and economic relations with each other. But the move to give the Soviet Union "most favoured nation" status has been blocked for more than a year by a senate group holding out for a prior relaxation of restrictions on the emigration of Soviet Jews.

Now the matter has been settled to the convenience of all concerned, except the Palestinians. Israel has already set up 45 settlements in the occupied territories of the Jordan West Bank. Israeli government agencies have bought up 15,000 acres of land and admitted to substantial purchases by private parties. Increased immigration of Soviet Jews — made possible by the Soviet Union in return for a mess of dollars — will strengthen Israel and allow it to increase the territory colonised.

Law or Ordinance?

Romesh Thapar

HAS the system of governance been so corrupted and decimated over the last few years that there is no alternative to rule through Ordinances which make a mockery of democratic functioning? Are we now to accept a fearful concentration of official power in order to keep a tattered political and administrative structure together? Is there no other way out of the strange *cul-de-sac* into which we have pushed ourselves over these years of freedom? These are some of the fundamental questions which are being asked as stories pile up, factual and false, about the general breakdown of national discipline and the amateurish ways of government to halt the spreading rot.

There is not a situation in India which cannot be handled by the normal law of the land, that is, if the instruments of policy implementation are kept intact and not reduced to disarray by politicians and fawning bureaucrats. When we view the scene at any level of administration, we realise the damage done. Witness the handling of the MPs Licence Scandal. Not a single instrument in the civil area of administration is effective or, for that matter, fully trustworthy. Indeed, it has been made clear to all and sundry that there is a future only in playing the game that's called. The repeated resort to Ordinances — and, now, even during a parliamentary session — is tantamount to declaring the political and administrative system defunct.

We can go on playing this game of Democracy-by-Ordinance until the cows come home (*sic*!), and organise an obedient, Greek-style chorus to excite us about lurking dangers of a fascist take-over, but we will not be any nearer a solution to the problems which create the pressure for rule by Ordinance. This dull but solid fact needs to be driven into the thick heads of the Congress leadership and those who follow it. We are going down a terribly slippery incline. Powers increase as governmental ineffectiveness mounts. In the end, the people will, in fact, turn to those who really know how to exercise the power that has been concentrated — the fascists and the communists.

Long before the Ordinances and other legal gimmickries took hold of us, Chairman Dange of the CPI used to claim that in India it was possible to "usher in" communism "legally". He was absolutely correct in his assessment of the prevailing legalisms, but how much more surcharged is the situation today. Interestingly, the concentration of executive power is favoured by the CPI. It baptises the Congress-Communist alignment in Kerala, Bihar, Orissa, Bengal and Andhra. A spreading net which might even become the envy of the CPM.

If the Congress is wedded to democratic functioning — and it had better be, for without such a commitment it loses its reason for existence! — the time has come to take the administrative system firmly in hand, shake it out of its corrupt and lazy ways, mould it to build national discipline and give it back the elan it has lost. This means insulating it from the racketeer politicians and operators who now function openly around the centres of power. It also means breaking the backs of friends and foes alike in the process of the clean-up.

It cannot be argued that there is no other way but Ordinance Raj. The averagely intelligent observer (and he makes public opinion!) knows how the ordinary citizen is harassed and hamstrung by an administrative system gone wrong. He also knows how the "smugglers and foreign exchange racketeers", the current bad men, receive velvet glove treatment — yes, even after they have been rounded up under MISA. There is talk of torture in the jails. I am sure there is, for even outside we have evolved procedures and practices which could in their totality derange the sanest of citizens. The trouble in India is that honest and decent folk, law abiding and disciplined, are destroyed by the Indian official jungle. The crooked smile their way through. And, alas, this is fast becoming the dominant fact of life, MISA or no MISA.

Indira Gandhi and her ministers, nondescript as they are, have to be pummelled with these truths — that is, when they are not lost in reveries with Gurus and Meditators and such like, including an old rising star in the Capital who heads "The Servants of God Society", he being God or His voice (I've forgotten which!). What ever the controversy around Jaya Prakash Narayan, he has at least articulated some pointed lessons for the ruling party. Instead of being pushed and pressurised by JP, and others who will certainly follow, the Congress chieftains could begin their own revolution of revival. Someone has to strike that inner chord (to use the phrases they cherish!) — or have their chords atrophied in the atmosphere of Ordinance Raj?

In this near medieval situation of durbars, petulant governance, magic men, ambitious favourites, endless intrigues and aloofness from the pain and suffering of the people, one cannot help wondering whether it is the lack of gumption on the part of bureaucrats and policy planners which really paralyses corrective and structural action. The manipulative politician is concerned only with his — or her! — wretched votes. But there is a vast area of potential advance which does not impinge on votes — indeed, action here might re-create the kind of credibility which existed with the GOI not so long ago when Bangladesh was born. Or, maybe, the gumption is developing through Ordinances, through MISA. Sad, because a harder working system could have shocked us back to some sense of discipline and good sense without playing with Fundamental Rights.

It is going to be a long march back to normality. The breakdown of national discipline, which creates the crisis of the administrative and political system, cannot be tackled with a narrow MISA approach. And so long as discipline is in disarray, there will be a growing confusion between Law and Ordinance.

Tailpiece: The President of India is busy distributing prizes awarded by a magazine produced by the Soviet Embassy. If the Capital's diplomatic missions take the tip, he will be busy for half the year!

November 18

"criticomments"

DO PARENTS SEE THEIR CHILDREN GROW?

Often one hears a visitor, who hasn't seen a child for a long time, exclaim to the parents: "My, how big he has grown!"

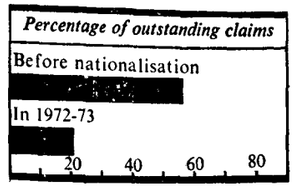
The parents are astonished at first, because the child has been with them all the time, and they never noticed him grow. They now take a second look, and it comes home to them that their son has indeed added a few centimetres to his height.

Improvements over a period of time are often missed by people, who are closely involved, unless someone draws their attention to these. Take for example what LIC has been trying to do in the matter of expediting the settlement of claims of life insurance policies.

In 1955, prior to nationalisation, the ratio of outstanding claims to claims intimated varied from 36 to 75 per cent. The average was 47 per cent for seven leading insurance companies, and 57 per cent for the entire life insurance business. This was at a time when the claims amounted to Rs. 25 crores.

By the end of 1972-73, the LIC had brought down the percentage of outstanding claims to 20.63 per cent of claims intimated. In that year the claims due for payment amounted to Rs. 103 crores.

Thus, in spite of a four-fold increase in the volume of claims due, the ratio of outstanding claims had improved from 57 per cent in 1956 to 20.63 per cent in 1972-73.



LIC's field officers are under constant pressure to go in search of policy-holders who have not put in their claims. A Claim Payments Service has already been formed and pressed into action—perhaps the only one of its kind in India. Procedures are being reviewed frequently to ensure that delays are reduced to the minimum.

Speedy settlement of claims depends to some extent on the claimants also. They are being educated by the LIC on the technical details that have to be attended to, so that delays may be eliminated.

Linc

CC-9

Calcutta Diary

A M

WHO is to reason with whom over what? It is no longer a matter of polite pleading across the table, where you make a point, I make a counterpoint, and after a while, we adjourn for tea. The nodal point is passed; quantity has broken into quality. The gentlemen of the Press were called in and duly coached by whoever coaches them on such occasions. On the Sunday morning, the headlines of the newspapers bore a family resemblance with one another; the editorial comments that followed were almost equally unanimous in their tenor. The ordinance, don't you understand, was an imperative necessity, since without it the wretched smugglers would have rushed to court and been let out; do be sensible, join us and support our step; pray, unless you yourself are a guilty one, why should you lose your sleep over the ordinance, it is directed only against the anti-social elements, not against law-abiding citizens. How do I know? The presidential order takes away the rights of not just a few stray smugglers, it confiscates the rights of all those who have been privileged to be gathered in under Section 3(1)(c) of the MISA. An impressive list of fundamental rights is breached by the Ordinance; Article 14, Article 21 as well as Clauses 4, 5, 6 and 7 of Article 22 of the Constitution, each now goes the way of all flesh. Fee foh fi fum provided you have been apprehended under the celebrated section of the great liberal Act, you shall henceforth be denied equal protection of the law within the territory of India; you shall be kept in detention indefinitely and no reference to any advisory board would any longer be called for; the authorities would be no more bothered by the absurd legal requirement to let you know the grounds on which you have been detained. Section 3(1)(c) of the MISA, mind you, need not apply to smugglers alone; in fact, until September 17 of this year, the smugglers were not even claimed by the Act. Just anybody can be picked up under it, as they have been under the other sections of the Act. It you engage in an unbecoming argument with a State Chief Minister's spouse, the order might go out to get you under the section; if the second cousin of police functionary wants to possess your little plot of land and you are not amenable to persuasion to do a *bhoodan*, the order might go out; if a petty politician's nephew wants to jump the queue outside a cinema hall and you demur, watch the fun, by sundown the order under section 3(1)(c) could be issued, and you would have nowhere to go. This is no hallucination. One can simply collate the bits and pieces of information on the actual grounds on which people in the different states have been arrested under the MISA during the past few years; often the reasons for the arrests have been even more frivolous than in such hypothetical examples. If I — to use the vernacular — want to cook your goose, I now know which section of the Act to choose. All that you might have done is to write a mischievous letter to a literary journal running down my poetry; I am satisfied that I have to place you behind the bars with a view to preventing you from acting in any manner prejudicial to the conservation of foreign exchange; none in this territory will be in a position to question my satisfaction. Give the dog a bad name, and keep him in prison for ever. If you have tears, do not prepare to shed them now; you might get arrested for shedding the tears.

What, after all, is the point of mincing words? If the courts were letting out arrested smugglers, something must have been basically wrong in the way the orders for their detention were worked out. No similar difficulties are being experienced in keeping behind the bars the hundreds and thousands of political workers arrested under the MISA, even if there is a certain chariness to describe them as such. Even in instances where the order of detention of a political worker under a particular section of the Act has been found faulty by some court or other, the authorities have immediately moved in with a surrogate order: the person concerned has been kept in detention for years on end, without being let out even for a bare half hour. The smugglers do not belong to an ethereal category, such that equally punctilious arrangements cannot be worked out in their case. If nonetheless courts discover gross deficiencies in the orders under which they are detained, the

obvious thing would be to sack some nincompoops in the Government. For whose benefit is this particular parlour game? Young men and women, who have not committed any ostensible crime save the one of loving the nation's working class, can be put away indefinitely, and no legal impediments stand in the way; these impediments rear their head only when the social scum, generally described as smugglers and black marketeers, are to be picked up.

If twenty-odd smugglers have been released by the High Courts, the culpability for that must therefore rest squarely on the authorities. And, in a different climate, one could have dwelt at length upon the total lack of any sense of proportion exemplified by what is happening: in order to cope with five hundred or thereabouts of ordinary smugglers, the liberty of close to six hundred millions is curtailed with great eclat. For there is nothing in the recent behaviour of the Government which entitles it to claim any benefit of doubt. For all one knows, it could all be part of one elaborate, prearranged device. It is an ill wind which does not blow anybody any good: the hulabaloo raised over the alleged liaison between ruling politicians with gangs of smugglers could accordingly be put to good use; it could be deployed to take away at one stroke the fundamental rights of all prisoners arrested under the MISA. For each smuggler arrested under the Act, there must be around the country at least one hundred political ideologues, trade union workers and peasant activists arrested under a neighbouring section of the Act. Sooner or later, ruling politicians might arrive at a deal with the smugglers; sooner or later, first rate lawyers, at enormous fee, might discover some other loopholes in the orders of detention and the smugglers would regain their liberty; after hours, there are reasons to suspect, a few politicians are already at work trying to locate the lawyers who could pull out their smuggler comrades. But the young men and women taken in for allegedly political offences would be in prison for ever, for the Emergency would be there for ever, and the professed section under which they would be detained could be quietly changed from 3(1)(a) or 3(1)(b) to 3(1)(c). Honour the smugglers, there could be no greater patriots than them, they have provided the rulers with the alibi to end the rule of law in this country. If the smugglers were not around, perhaps the rulers would have gone to the length of inventing them.

Celebrate, the ordinance will of course be passed into law by the docile majority in Parliament, and the era of Constitutional authoritarianism will be duly ushered in. To complain of a formal breach in parliamentary etiquette may seem silly in this context. But let the minor point be nonetheless made, even if it be merely for the sake of record. The Thirty-fifth Constitutional Amendment Bill, which gave this nation the dubious prerogative of welcoming Sikkim as an associate State, could be pushed through Parliament in the course of a bare five-day week. Was the subterfuge of the Divali weekend then at all necessary for this final scrapping of the fundamental rights? The Lok Sabha and the Rajya Sabha were in session, and if the Government felt so strongly about having a hurried piece of legislation amending the MISA — as it has obviously felt —, its will would have been done in no time. In any event, the judiciary too were not sitting over the week-end; neither smugglers nor political prisoners could have been let out while the crackers were bursting. If through some accident they got released, the trail blazed by the police here in West Bengal could have been followed, and the smugglers kept back in prison under some other interim charge. Obviously, the style had to be different: it was intended to be different — a certain total contempt for the parliamentary hocus pocus had to be written into the proceedings. Even when Parliament is formally in session, an ordinance is therefore promulgated, and no one's leave is sought for the act. It is as if a notice is being served: you do not matter, we want to get rid of you, why don't you behave like good boys and go home. The Prime Minister may shout herself hoarse that there is no freer, lovelier democracy in this world, but by now her verbiage has lost nearly all of its original lustre. She has begun to be judged not by her words, but by the atrocities she indulges in. If she has the patience any more — or the humility —, in a moment of tranquillity she could do worse than attempt to measure the totality of the impression she has succeeded in creating about the manner of her reigning. Style defines the person; will it be unpardonable if, from her style, one deduces that if we are not exactly a quarter of an hour away from an authoritarian regime, we are at most half a dozen hours away.

Who goes home, the watchman is supposed to cry at midnight each night, or so goes the parliamentary folklore. Indira Gandhi's Divali week-end has brought along the tidings. Very soon, we all are going to go home.



Acme of Poor Performance

Hansavivek

NATIONAL NEWSPRINT AND PAPER (NEPA MILLS) has wiped out the entire loss brought forward from the previous year. This has been possible with higher production and increases in selling prices of newsprint. Output of newsprint increased from 40,770 tonnes to 48,671 tonnes, of caustic soda from 2,839 tonnes to 3,258 tonnes, and of chlorine from 2,521 tonnes to 2,890 tonnes. The installed and licensed capacities, however, were much higher at 67,500 tonnes and 75,000 tonnes, respectively, of newsprint; 4,025 tonnes and 8,928 tonnes of caustic soda; and 3,572 tonnes and 7,910 tonnes of chlorine. Selling price of newsprint was revised, from October 1973, from Rs 1,362 to Rs 1,500 per tonne upto the level of previous year's despatches (36,550 tonnes) and to Rs 1,800 per tonne on supplies over and above that quantum. Notes appended to accounts reveal that the two-tier selling price could not be given retrospective effect from April 1, 1973, and that the suggestion of a single pool price to be effective from October 1, 1973, is still under consideration of the Government of India. Meanwhile, the company has billed customers provisionally at different rates, subject to the final decision of government. In the event of government not agreeing to the provisional price charged, the company will have to refund certain amounts. As per the original government order, such refundable amount is estimated at Rs 29 lakhs; and as per a subsequent clarification by government, it is estimated to be Rs 45 lakhs. On the other hand, if the formula submitted by the company is accepted, an additional amount over the provisional price billed to customers, estimated at Rs 11 lakhs, would be recoverable. The profit and loss account for 1973-74 is, therefor, subject to alterations consequent on the government finally fixing the selling price. In the meantime, the selling price has been further revised to Rs 2,300 per tonne from September 1974.

The company is entitled to development rebate aggregating Rs 151 lakhs. No allocation to development rebate reserve has been made, apart from Rs 3 lakhs set aside in 1968-69 and Rs 5 lakhs in the 1973-74 accounts. There is a contingent liability of over Rs 88 lakhs for higher payment of replacement cost to the forest department of the Government of MP, on account of salai extracted from government forests from February 9, 1961, to November 8, 1973 — i e upto the date of nationalisation of salai forests. The matter is under correspondence, and no account has been taken of the contingent liability pending settlement. However, provision for the period November 9, 1973, to March 31, 1974, has been made in the accounts on the basis of receipt of MP government's decision. Also, detailed terms and conditions in respect of the additional bamboo felling areas allotted to the company by the forest department, on year to year basis, for extraction of pulp wood have not been settled as yet; hence, additional liability upto November 8, 1973, if any, has been provided for, as it is not ascertainable. There were also claims against the company — not acknowledged as debts — aggregating Rs 10 lakhs. Provision has not been made even in respect of future liability, estimated at Rs 41 lakhs, for gratuity. Value of imports on c i f basis in respect of stores and spare parts amounted to about Rs 15 lakhs and expenditure in foreign currencies on account of interest, etc, aggregated Rs 6 lakhs. Value of imported stores and spare parts, consumed during 1973-74, exceeded Rs 21 lakhs. In addition, the company remitted Rs 29 lakhs towards instalments due on account of deferred payment.

The expansion and development work is in progress. A Major portion of structural steel work, awarded to Triveni Structurals, has been completed. The acid alkhli resistant tile-lining work of various chests, towers, vats, etc, has already started. Erection of plant and machinery in the cold soda pulping plant and bamboo sulphate plant area is nearing completion, and that of soda recovery boiler is expected to be completed by the end of 1974. The work of inter-connecting

The Week's Companies (Rs in Lakhs)

	Nepa Mills		Gramophone	
	Latest Year 31-3-74	Last Year 31-3-73	Latest Year 30-6-74	Last Year 30-6-73
Paid-up Capital	495	495	75	75
Reserves	45	39	163	133
Borrowings	775	777	37	20
of which Term borrowings	775	760	—	—
Gross fixed assets	1226	1216	154	138
Net fixed assets	592	632	132	124
Investments	—	—	—	—
Current liabilities	173	133	490	333
Current assets	339	246	628	435
Stocks	237	199	259	195
Book debts	55	26	353	228
Net sales	766	562	869	657
Other income	4	4	33	22
Raw material costs	147	132	257	180
Wages	110	92	259	191
Interest	25	23	5	2
Gross profit (+)/loss(—)	130	48	104	84
Depreciation provision	45	46	6	5
Tax provision	—	—	58	47
Net profit (+)/loss(—)	85*	2	40	32
Development rebate provision			1	2
Transfer to reserves			30	17
Dividend				
Amount	P —	—	E 9	13
	E —	—		
Rate (per cent)	P —	—	E 12	18
	E —	—		
Cover (times)	—	—	4.33	2.31
Ratios (per cent)				
Gross profit/sales	16.97	8.54	11.97	12.78
Net profit/capital employed	—	—	15.54	14.03
Inventories/sales	30.94	35.41	29.80	29.60
Wages/sales	14.36	16.37	29.80	29.07

* Adjusted against previous loss.

piping of various plants and laying of cables and electrical control wiring should be over by the end of March next, and the plants should be commissioned by March 1976. Order has been placed for the plant and machinery and detailed engineering and technical services for expansion of the caustic soda, chlorine plant with Krebs of Zurich. Efforts are being made to procure the rectifier and booster transformers indigenously and to complete the plant by the last quarter of 1975-76. Last year, further loans of Rs 150 lakhs were received from government of India, liftiag total borrowings from that source to Rs 662 lakhs, (after repayment of Rs 113 lakhs). The estimated further loan requirement for completion of the expansion scheme is estimated at Rs 524 lakhs. NEPA's proposal for reorganising the capital structure by conversion of a part of government loan into equity capital, which is under consideration of the government of India, is intended to reduce the interest burden on loans and to improve profitability.

GRAMOPHONE COMPANY OF INDIA has fared very well on the export front. Its export sales during 1973-74 at Rs 96 lakhs recorded an all-time growth of more than 52 per cent over the previous year. In addition, royalty earnings brought in another Rs 11 lakhs. What is still more significant, is that one out of every three LP records was exported. The company made a breakthrough by exporting some of the domestic electronic products to West Asia, Africa, East Europe and Bangladesh. It is now engaged in developing record playing equipment for export markets, and expects to maintain the growth in exports. Meanwhile, modernisation and development programmes, undertaken in the previous years, are progressing according to schedule. The company has turned out good results, with a 32 per cent gain in net sales, followed by a 24 per cent rise in gross profit. Dividend has been slashed by 6 points to 12 per cent, on account of the restrictions on distribution. These results were obtained despite lower production of gramophone records (70,68,938 pieces against 70,88,768 pieces) and radio sets (14,083 pieces against 25,003 pieces). Production of record players and reproducers, however, was a little higher (63,579 pieces against 63,110 pieces). The company's installed capacities are much higher at 90,21,250 pieces of gramophone records, 40,000 pieces of radio sets, and 96,000 pieces of record players and reproducers — all on a single-shift basis. The auditors were paid, in addition to the audit fees of Rs 60,000, Rs 6,000 by way of out-of-pocket expenses and Rs 27,914 for other services. Remuneration to directors and managing director as fees, salaries, and other emoluments, amounted to Rs 4.07.624 in 1973-74 — compared to Rs 2,75,431 in the previous year.

INDORE WIRE showed a fresh loss of Rs 4 lakhs in the thirteenth year of its career and increased the total deficit to Rs 19 lakhs to stand against the issued and subscribed capital of Rs 25 lakhs. In addition, as at the end of April last, arrears of depreciation amounted to Rs 13 lakhs, and of dividends on cumulative preference shares Rs 3 lakhs. Liability for gratuity to employees was neither ascertained nor provided for. Also, cash defalcation of Rs 78,811 by ex-cashier, in past years, was shown under 'miscellaneous expenditure'. During 1973-74, the company produced 61 tonnes of high carbon wire and 278 tonnes of mild steel wire, against the combined installed capacity of 13,800 tonnes per annum. It is stated that operations at the factory were virtually at a standstill for two-thirds of the year, for want of raw materials and non-commissioning of the patenting furnace. The directors, however, envisage good outlook for the current year's working. Apart from the full benefit flowing from the patenting furnace — commissioned in January last — the company expects contribution from the stress-relieving furnace and full utilisation of high carbon manufacturing facilities.

ADMINISTRATIVE STAFF COLLEGE OF INDIA

INVITES

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Qualifications :

FACULTY :

The applicants for the Faculty positions should have a Doctoral degree or equivalent research experience in Economics with a good background in quantitative methods and interest in allied social sciences and Engineering Economic Analysis.

RESEARCH ASSOCIATE :

The applicants for the Research Associates should have a first or a high second class degree in (i) Economics with Statistics and Mathematics as optionals or (ii) Mathematics or Statistics with a good knowledge of Economics (iii) Engineering with good knowledge of Economics. Research experience is desirable.

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Applications with detailed bio-data, details about present job and names of three referees, should be sent to the Registrar, Administrative Staff College of India, Bella Vista, Hyderabad-500 004, so as to reach him within 20 days from the date of this advertisement. After preliminary screening, selection interviews will be arranged in the month of December. All applications will be treated as strictly confidential.

New Light on Central Excise

VARIOUS arguments are advanced from time to time in defence of the enormous growth of commodity taxes in India in recent years: that they serve to reduce inessential consumption; that they are easy to collect; and that, contrary to the general impression, they are not regressive, but are progressive. Any suggestion that the taxes on consumption, such as excise duties might be aggravating the inflationary pressures is countered with the argument that articles like food and industrial raw materials, the rise in prices of which has contributed most to the current inflation, are by and large untouched by these taxes. The contention about the non-inflationary impact of indirect taxes is untenable for the simple reason that a sizeable fraction of the revenue from Central excise comes from the duties on industrial raw materials and intermediate products — according to one estimate, 38-40 per cent (Ladkavawalla and Nambiar, "Commodity Taxation in India", p 42). That these taxes might help reduce private demand and thereby ease the inflationary tendencies is a different proposition. As for the supposed progressivity of Indian commodity taxes, no one with sufficient awareness of the pitfalls of studies of tax incidence — according to a recent survey of such studies, conceptually and statistically they are a dubious exercise (*IMF Staff Papers*, November 1973) — would draw much comfort from their findings.

The factor that really explains the increasing reliance on commodity taxation all over the world is the ease of administration of such taxes as compared to the pain, and what is perhaps more important, the noise that accompanies the enforcement of direct taxes. Widespread evasion of income and capital taxes in the less developed countries (LDCs as they are called now) has led many experts to believe that in the environment prevailing in these countries an equitable tax structure is better achieved through commodity taxation.

Hard Blow to Fond Beliefs

The Report of the Central Excise (Self-Removal Procedure) Review Committee, which was submitted towards the end of the last session of Parliament, deals a hard blow to all these fond beliefs and assumptions. Set up in 1971 under the chairmanship of B Venkatappiah to review what is known as the Self-Removal Procedure (SRP), which was introduced in 1968 as a measure of simplification of the system of collection of Central excise, the Committee has gone into almost all important aspects of Central excise administration and has brought out facts which, more than its recommendations, should make policy-makers sit up and do some hard rethinking on the entire strategy of taxation in India.

Though its attempts to quantify the extent of evasion did not succeed, the Committee has come to the conclusion, on the basis of evidence collected extensively from various sources, that evasion of Central exise is considerable and, in certain sectors, pervasive. So much so that it felt impelled to remark: "...we are free to confess that we were not prepared for, and are therefore painfully surprised at, the range, diversity and in certain segments of production, almost the universality of the evasion which is practised by those who produce the goods" (para 10.9).

The methods adopted to evade excise range from misclassification of goods to plain concealment of actual production. A common method is to remove dutiable goods in the guise of exempted or partially exempted goods. Sound fabrics were often declared as fents. "In one case a composite mill was found to have cleared 16,25,584 sq metres of fresh cotton cloth by cutting it into rags and in the process had evaded duty to the extent of more than Rs 15 lakhs". Such practices are not confined to backyard factories or petty weavers. "Some reputable concerns were reported to have been packing art silk fabrics in rolls and clearing them without payment of duty by declaring them as fents" (para 10.18). Of course, the duties on fents have since been raised. But the amount lost to revenue remains unknown.

Goods prone to evasion are equally wide-ranging. Those particularly mentioned are matches, steel furniture, tea, copper and copper alloys, patent and proprietary medicines, refrigerating and air-conditioning machinery and appliances, iron and steel products, sodium, silicate, electric motors and cotton fabrics. Art silk fabrics are also notorious for evasion.

Factors which, according to the Committee, facilitate evasion are, primarily, (1) "slack, non-existent or dishonest supervision" by the enforcing machinery; and (2) "unnecessarily complicated tariff items and unrealistically designed exemptions". Complexity of the tariff structure results from the exemptions notified by the Government in respect of the duties fixed by Parliament. The Committee has found that "there are nearly one thousand live notifications today by virtue of which duty reliefs are afforded" and that "some three hundred tariff rates have, as a result of the issue of notification of exemption, been multiplied into more than two thousand effective rates" (para 6.2).

Dominant Aim of Exemptions

The exemptions and reliefs are said to be prompted by a variety of objectives: promotion of exports, increase of production, conservation of resources, development of backward areas, convenience of administration, support to programmes of public health and family planning and mitigation of cumulative impact of multipoint levies. But the dominant aim underlying the exemptions has been to encourage the growth of small-scale industries. In translating this aim into practice, "so many parameters and criteria have been used as to what is, and what is not, a small unit with reference to particular commodities that a bewildering variety of exemptions has come into being all of which purport to help the small sector" (6.3).

A three-pronged attack on the problem of effective enforcement of excise duties is proposed by the Committee. First, the basic approach to the task of enforcement should be through a system of selective control. Second, there should be a thorough review of the tariff structure and all exemptions with a view to simplification and rationalisation. And, third, the administrative machinery should be geared up for the task of selective control.

Observing that the dutiable commodities and their producing units fall into some well-defined categories, the Committee has suggested different modes of control for the different categories. The three main ingredients of this strategy would be Account Based Control (ABC), Production Based Control (PBC) and Clearance Based Control (CBC). ABC contemplates reliance on the accounts of the tax-paying unit and is meant for the organised sector and for commodities for which the tariff structure is not too complicated. Twenty-nine com-

modities, accounting for 60 per cent of the total excise revenue (as of 1973-74), are expected to be brought under this form of control. The mode of enforcement for other commodities — accounting for 34 per cent of the revenue — would in general be the PBC, which is supposed to be an improved version of the SRP. For the unorganised small-scale sector the method would be CBC which would be akin to the old system of physical control. But even for commodities produced by a large number of small units a simple procedure for payment of duty on a compounded basis is contemplated. The duty liability under the simplified system would be related to the average value or quantum of duty clearances during the three preceding years or the last year, whichever is higher and this would normally remain fixed for three years. There will be a review of units working under the simplified procedure at the beginning of a fresh three-year bloc. The Committee wants all excisable goods, even when exempt, to be brought under the simplified procedure, as this would be useful for statistical and administrative purposes. The simplified procedure is designed to reconcile the need for stricter vigilance over small units and the capacity of the administrative machinery to bear the burden of work likely to be thrown up if all such units are to be supervised physically throughout the year.

Complex Tariff Structure

Simultaneously, a thorough examination is needed of the tariff structure which has grown complex for various reasons. One factor particularly mentioned in this context is the extension of tariff to a large number of commodities with poor revenue potential, which, because of the sheer number of producing units, has strained the administration unduly. The Committee, therefore, recommends withdrawal of all levies that yield less than Rs 50 lakhs. Tariff definitions and descriptions also need to be reformulated to reflect the commercial identity of the commodities more easily. Exemptions too should be refused except where they serve a well defined purpose, where the cost does not outweigh the benefits and where they are easily administrable. All exemptions related to end use, the Committee feels, are of doubtful utility, involve protracted *post-facto* verification and need to be drastically curtailed.

In essence, the scheme of controls envisaged by the Committee does not make a radical departure from the SRP over a large area that accounts for the bulk of the Central excise. In fact the ABC seems to be based on faith in the honesty of the units responsible for paying excise duty to a much greater extent than the SRP. The PBC, though said to be an improvement over the SRP, is also unlikely in actual working to be much different from the SRP. The operation of CBC, which is the nearest to the old system of physical control, will also be limited to a relatively narrow area comprising units which choose not to opt for the simplified procedure. If all goes well, this will impart a degree of automaticity in the collection of Central excise which can be the envy of any tax collecting machinery anywhere. But will all this really work as expected?

In a country like India and with the growing complexity of the structure of the economy, some selectivity is essential in any sphere requiring policing by a government agency if the country is not to turn into two rival camps with one-half of the population engaged in overseeing that the other half keeps on the right side of the laws. The important question is how far should the selectivity be carried; in other words, what is the optimum?

The answer obviously depends on many things and as in most areas of public policy calls for a realistic assessment of what can be achieved, given the social and political environment of the country. The system of automatic collection of taxes to which the government seems to be endeavouring to move works so well in the Western countries primarily because of the fear of detection and the penalties that visit the offender unfailingly. In the absence of this crucial factor simplification and rationalisation of tax laws, if carried too far, is likely to provide a licence for infringement to the unscrupulous and the resourceful. This probably is the most important lesson to be drawn from the costly experiment with SRP. Though the Committee is a little coy about attributing any rise in evasion to the introduction of the SRP, except in the small and medium sectors, it comes out clearly from the Report that the SRP did not work and its failure could be due, to a considerable extent, to the failure of the deterrent provisions of the law. To quote the Committee, "... despite the strengthening of the penal provisions, the number of offence cases where confiscation was ordered without penalty declined both in absolute terms and in relative proportion to the total number of registered cases. In 95 per cent of the cases the penalties imposed were less than Rs 250. More importantly, the percentage of cases in which fines amounting to more than Rs 1,000 were imposed dropped from 1.51 per cent under pre-SRP to 0.58 per cent under SRP. It appears to us that the deterrent provisions built into SRP have not been adequately invoked" (para 9.37).

What is the guarantee that the provisions will be invoked now? The Committee has of course devoted one whole volume of its report (vol II) to the gearing up of the administration machinery, paying attention to such detail as the vehicle requirements of the enforcing staff — almost paralleling the concern expressed by the Wanchoo Committee over the inadequacy of staff cars placed at the disposal of the intelligence branch of the Income Tax Department. One can be sure that no effort will be spared to improve the promotion prospects of the officers in the upper echelons, and to import the latest management cliches in the formulation of personnel policy. But experience so far holds out little hope that all that will deliver the goods. Greater reliance on faith and goodwill in the administration of tax laws will, one fears, lead to more evasion.

Planning Tax Policy

It must be said however that the Committee has tried to strike a balance between opposing considerations and come out with a blueprint on which the future administration of Central excise can be built. The precise degree to which selectivity should be carried now must however be based on a correct appreciation of the risks involved.

That there can be so much of evasion in excise is by itself of considerable significance for the planning of tax policy. If commodity taxes can be evaded so widely, where lies their superiority over taxes on income and capital? It is plain that governments rely on commodity taxes for no other reason than that they yield revenue smoothly and noiselessly. But whatever the theorists might say, it is unlikely that findings such as those of this Committee will bring about any major shift in tax policy and it seems certain that government revenue will continue to be collected more and more from taxes on commodities. For, that way, who bears the final burden remains conveniently unknown.

Hunting the Harijans

N K Singh

PERSECUTION and harassment of the 4.5 million scheduled castes of Madhya Pradesh continue unabated. Every week brings fresh reports of atrocities against them by caste Hindus.

Caste Hindus raided a Harijan village in Vidisha district in July and demolished the newly-built houses which had been allotted to the Harijans under the government's housing scheme. Another instance of the Hindus' intolerance of any improvement in the socio-economic condition of the Harijans was seen some months ago in the Chambal ravines, which are the strongest base of feudalism in the state.

Last June, Bhadolikapura, a Harijan village in Morena district, was raided by an armed mob of upper caste Hindus. The mob set fire to the entire village, looted property and burnt alive an old Harijan woman who had been left behind by the fleeing villagers. Bhadolikapura is barely 2 km from the tehsil headquarters of Ambha. Most of its 46 Harijan families are prosperous, as the land they own is some of the most fertile in the area and irrigation facilities are good. Many of them produce as much as 25 quintals of grain per acre. Most of the neighbouring villages are inhabited by Tomar Thakurs who are jealous of the economic prosperity of Bhadolikapura's Harijans.

The main cause of the outbreak of violence in June was that the Harijans, encouraged by their economic prosperity, had sought to cross age-old social barriers of the region. Many of them had begun to violate traditional restrictions on them — such as those on taking out processions with bands playing music and on the use of horses on the occasions of marriages.

Personally feuds, too, assumed social dimensions. Thus, about two years ago, 35 Thakurs of nearby Barwai were prosecuted in a criminal suit filed by the Harijans. The Thakurs of the whole area took this as an insult. The Thakurs had the support of a Brahmin moneylender of the area. About 200 acres of land belonging to the Harijans of Bhadolikapura were mortgaged with this moneylender. Though the loan amounts had been repaid in almost all cases, the documents were still with the moneylender. The moneylender would have grabbed the entire land — valued at about Rs 10 lakhs — but for the new awareness among the Harijans who know of the loan repayment laws for scheduled castes and tribes. A member of the moneylender's family is a leader of the Jan Sangh. Some time ago he had distributed a handbill on behalf of his party calling upon the Thakurs to "teach a good lesson to the *shudras*".

On June 11, a Thakur and his sister were robbed of their belongings while they were walking from Ambha to their village Barwai. They reported the matter to the police, who (the Thakurs alleged) failed to take serious note of the matter and merely arrested three Harijans. The Thakurs of Barwai assumed that the crime was the work of the Harijans of Bhadolikapura. They held a meeting on June 12 at which feelings ran high. The Thakurs were evidently most enraged about the humiliation of a Thakur woman by "low-caste" Harijans; they resolved to retaliate "to maintain village prestige".

As news of the Thakurs' intentions reached Bhadolikapura, peace messengers were rushed to meet the Thakurs. Some prominent Harijans met the Thakurs; they apologised with folded hands for the possible misdeeds of some fellow Harijans and begged their pardon. They also offered to raise money from among themselves to make up for the loss suffered by the Thakurs. The Thakurs were, however, determined. Most Harijans left the village in panic and sought refuge in the nearby police station at Ambha.

On June 13, an armed mob of about 5,000 raided Bhadolikapura. A six-man strong police party, under a DSP, was sent to 'meet the situation'. The mob became even more aggressive when it sighted the police party. The attackers broke open houses, ransacked them and looted everything, including foodgrains. (They had even brought bullock carts and camels to carry away the booty.) The entire village was set on fire. An old woman, Bithal Bai, was caught and thrown into the fire. According to the Harijan Yuvak Sangh, an infant also died of burn injuries. It is estimated that property worth over Rs 5 lakhs was either destroyed or looted by the crowd. The policemen remained spectators to the rape of the village.

The DSP and the officer in charge of the Ambha police station are themselves Thakurs. A majority of the other officials too are either Thakurs or Brahmins. It has been alleged that they did not take strong action because of their 'good relations' with the assailants. Thus, although the police station is just 2 km from Bhadolikapura and there are many units of armed police at the station on account of this being a dacoit-infested area, no additional force was rushed to the village — even as the loot and arson continued till late in the evening. Official sources at Bhopal too kept quiet about the incident. It was only from Press reports that the public came to know of the incident. And it was only when Rajaram Singh, a Harijan and at that time a Minister in the state government, raised a hue and cry that the authorities took some action in the form of arresting a few Thakurs.

But soon a Jan Sangh delegation from the area, led by two Thakur MLAs, waited on the Chief Minister and the Governor, himself a Thakur, to complain that the Thakurs had been "victims of a high level conspiracy". They ascribed the incident to provocation by the Harijans and the "inaction of the police" who had treated the Thakurs' complaint casually. They also alleged that Rajaram Singh was terrorising the Thakurs by using his official position and demanded that he be removed from the ministry. (This latter demand was conceded in the cabinet reshuffle in the following month.) The Thakurs even warned that, if the harassment continued, the 5,000 Thakur families of the area would take up arms and take to the ravines to create a fresh dacoits problem in the area. A senior Socialist Party leader of the area, Thakur Raghubir Singh, was heard complaining that the police was more guilty than the Thakurs.

The final act in the drama came in the form of a warning from dacoit-leader Madho Singh who had earlier surrendered to the police. He wrote to the Chief Minister threatening a revival of dacoity in the area should action be taken against the Thakurs. Politically ambitious, Madho Singh is now emerging as a sort of leader of the Thakurs; he uses his frequent paroles to address meetings in his home district of Morena. On October 25, he even addressed a meeting of the state's Rajput Parishad at Bhopal.

The threats worked. The Chief Minister who visited the area on July 19, did not venture a visit to the ravished village, despite repeated requests by the Harijans. Instead, he addressed a meeting of the Thakurs at Ambha, 2

km from the village, where he actually presented a pursue containing Rs 2,500 to the victim of the robbery. The Thakur woman's loss had been estimated at only about Rs 1,800. The Harijans, who had lost their life's earning and capital, were given Rs 1,000 per family.

None of the police officials concerned has been transferred; nor has the demand for a judicial enquiry been agreed to. The government has ordered an enquiry by a police official! Yet, after a few days, the same government expressed serious concern over the growing incidents of atrocities committed on the Harijans and announced with much fanfare the creation of a special cell at the police headquarters to check them.

MANIPUR

Centre's Political Sniping

NEW DELHI's manoeuvres to bolster the Congress position in Manipur, by winning over the non-Congress Chief Minister and then causing defections from his party into the Congress, may well trigger off a sequence of events which will further undermine the Centre's political position in this area.

In early September, when Yangmaso Shaiza, Chief Minister of Manipur, was in New Delhi, the Congress High Command asked him to join the Congress and merge the Manipur Hill Union (MHU), which is currently heading the ministry in Manipur as the biggest constituent in the Assembly, with the Congress. Shaiza resisted the pressure but agreed to refer the proposal to the MHU. As nothing emerged from this promise the Congress High Command deputed Purabi Mukerji, the AICC Secretary, to Imphal, to pursue the matter. She undertook the mission but returned empty-handed. Shaiza has been called to Delhi again — evidently to drive home the point that his Chief Ministership would be guaranteed by the Centre's mighty powers if he would merge the MHU in the Congress and so help induct a Congress ministry into office in the state. It seems unlikely that Shaiza and MHU would accept the proposal for the very sound reason that it is unacceptable to the rank and file of the MHU.

The Congress in Manipur is in a sorry state. Seven Congress MLAs have deserted the party and declared themselves Independents, promising support to the Shaiza ministry. The rest of the Congress MLAs are almost evenly divided into two factions, led by Rishang Keishang (a Naga leader without a following except in his own constituency) and Koireng Singh. While the Centre's attempts are intended to strengthen the Congress, they will more likely succeed in creating permanent instability in this state which has only recently managed to shake off President's rule. Congress is in no shape to gather strength from a merger with the MHU, even should such a merger come through.

The MHU might react to the Centre's pressure on it to merge with the Congress by trying to join forces with with the underground Nagas not only in Manipur but also in Nagaland. And that would put the clock back. For, a Naga-headed ministry in Manipur has certainly inspired some confidence among the Nagas about their place in the state's politics; it has also won the support of the linguistic minorities in the state. But the ministry is not altogether secure. The extremist Nagas are already calling the Shaiza ministry a *mayang* (outsider) ministry. Formerly, this label used to be given to the Congress ministries in the state. No sooner had Shaiza assumed office than, on July 19, two Assamese youths, aged 21 and 22, were murdered, allegedly by assassins hired by chauvinist elements operating under the banners of the Manipur People's Party and the Kanglai League. The two young men had been transferred to the Deputy Accountant General's office in Imphal from Kohima. Another employee of the DAG's office escaped with injuries and a fourth, a lecturer in the Manipur College, is recovering from his injuries in hospital. All the four victims were Assamese. Under prodding by the Chief Minister of Assam, New Delhi urged the Government of Manipur to speedily apprehend the criminals. For the first time in the history of the state, such action was taken. Meanwhile, the Meiteis, or the valley Hindus of Imphal, have tried to spread the propaganda that the murders were the work of Nagas. In fact, however, the Nagas have never believed in murdering civilians.

The chauvinist elements have demanded that Manipuri be made a compulsory paper in the Public Service examination. This is intended to keep 'outsiders' out of government jobs in the state. The Chief Minister did not, however, allow the examination to be disrupted. The first Manipur Public Service Commission examination was held under police and military invigilation.

Insurgency is far more extensive and takes a severer toll of lives in Manipur then in Mizoram or even in Nagaland. The Kanglai League and the Youth League have demanded secession and total independence for Manipur. Some of their cadres are underground. If, nevertheless, it is the two tribal states, Mizoram and Nagaland, which invite the special fury of New Delhi, it is because those being killed in Manipur are not men in uniform. Also, crime and massive corruption in Manipur can be winked at, as it is perpetrated by Hindus and not by tribals or Christians. The activities of the extremists and the contrast between New Delhi's attitude towards Mizoram and Nagaland and that towards Manipur are fanning Naga and tribal discontent. This points in the direction of a strengthening of the Nagas' emphasis on their separate linguistic and cultural identity and their demand for the merger of the Naga areas of Manipur with the state of Nagaland.

The Union Government has always shown singular insensitivity in relation to the eastern states. For the first time, a credible popular government is in office in Manipur. Instead of allowing it to function normally, the Centre has continued to snipe at it politically. This is to play into the hands of the chauvinists represented by parties like the MPP.

For the first time in Nagaland too there is a government which enjoys the confidence of the people, including to some extent even the so-called underground. For the Centre to undermine chief minister Vizol by suspecting his government's bonafides is again self-defeating. Law and order within the state should have been the responsibility of the state government, as it is in the other states. But New Delhi has established its supra-authority over the popular government of the state. In addition, there is the North Eastern Council which is meant to keep the eastern states in tow. Had only defence and development been the NEC's concerns, the Council would have been tolerable. As it is, to the people of the region it appears as a serious check on the autonomy of the states concerned. No wonder popular resentment against the Council is so strong.

SOUTH

What of Andhra?

Mohit Sen

GOING about this state one is quite likely to get the impression that the days of storm are over and that it has become again a quiet area. And this surface impression is not altogether false. Certainly the state is settling down after all those days when its very existence was in the balance. But certain important changes are taking place which surface here and there and which require a certain sensitive partisanship to spot.

Most important among these would be the stirring among, and better organisation of, agricultural labourers. Atrocities against the Harijans certainly continue to sear the Andhra countryside. Not the routine insult and injury but a certain calculated ferocity as well. But this is not new. What is, is the hitting back and a sense of awakened power. One finds this phenomenon in the delta districts as well as in the arid areas of Rayalaseema.

What has not hit the headlines except in the Communist Press is the very successful mobilisation that was carried out in Cuddapah district recently around the assaults on agricultural labourers. All kinds of action were resorted to — from hunger strike and satyagraha to actual physical beating back of assaults. And what was most encouraging was the unity of the Harijans. It is not often enough realised that the agricultural labourers face a terrible problem of their own division. Untouchability is not only imposed on the untouchables but practised among themselves. Then there is a kind of clan division which is battened upon by group leaders who are as oppressive, crafty and opportunist as anyone can hope to find. It is a kind of submechanism of exploitation and oppression which begins as a reflex against the dominant mode of exploitation and oppression but goes on in fact to coordinate with and even sustain it. This, too, has to be fought against. Additionally, there is the problem of the Christian converts, the problem of political division and the problem of a certain incipient stratification. What was heartening, therefore, was the solidarity against insult and assault. So much so that one found even the *padres* telling their followers to go to the Red Flag so that their grievances could find some chance of redressal. And there was a measure of gain in the current agitation and action.

That the awakening is not confined to the problem of social discrimination was proved by the almost simultaneous wave of strikes, sit-downs and demonstrations that swept across the delta districts on the question of higher daily wages. Here the gains were really considerable and could become the pace-setter throughout the state. Incidentally, an interesting implication of these actions is that when it comes to raising the value of the labour power of the agricultural proletariat, who can by no stretch of imagination be called 'privileged', the struggle has to be as sustained and as well-geared as any that the industrial worker takes recourse to. And, to say the least, one does not find the government in the slightest bit sympathetic to the struggle of these submerged sections, professing sympathy for which it unleashes all the force of its state apparatus against the working class in the towns.

It is characteristic of the Andhra scene and in many ways, perhaps, of the country as a whole that while the grapes of wrath are accumulating in the countryside the most sophisticated and modern segments of the industrial working class are also moving into action. The Electronics Corporation of India has a fine factory on the outskirts of Andhra's capital. It has been doing well for itself and for the nation as well. One finds there the objective coming into being — with the subjective factor still lacking — of a technical intelligentsia that is in physical contact with the production of value and the producers of value and a working class that increasingly illustrates the truth of the thesis that science is becoming a direct productive force. Also, in a great majority of cases the working class comes from the same source as the technical intelligentsia, i e, the universities. Before one's eyes one sees the contours of the new historical bloc which Gramsci had written about so perceptively some decades ago.

There are problems on both sides of the process of convergence. The technical intelligentsia can sympathise and even derive a surrogate's satisfaction from the miseries and efforts of those below the poverty line; but those who tread on its heels or, rather, those it has to go only a few steps to meet it would like to recoil from. And as for the new type of skilled worker there is the problem of what Lenin had called the intellectuals' aversion to being stewed in the factory kettle. The trade union leaders face charges from these new entrants that would have bewildered them had they not themselves been so recently through the same process — the factory doubles its complement every two or three years. The anarchy of the petty bourgeoisie has to be ironed out!

It is this factory and its workers who have decisively entered the arena of direct mass action in the recent weeks. The historical bloc proved its productive worth by practically doubling net profits but then faced bureaucratic obduracy both at the level of the national capital and, rather unexpectedly, at the top echelon of the factory itself, when it came to the question of material incentives.

What was excellent was the response of practically the entire work force to the call of the union for factory-gate meetings, public demonstrations and the acceptance of solidarity from other sections of the industrial working class. The last-mentioned point will appear odd to the uninitiated but in many ways it is the most significant pointer of the entire action. Class consciousness grows through this break with particularism which means that acceptance of solidarity implies the giving of it, too. Gains have been made with regard to the direct issues involved and others have been taken up for negotiation, but the biggest advance is the coming of this growing point of India into the national mainstream of struggle.

A final point to indicate the gathering democratic revival in Andhra Pradesh. One of the great contributions that the united Communist movement had made to the national regeneration of India was the intitiation of a fusion of popular and folk culture. This was really a dialectical unity of the discovery and the remaking of the cultural idiom of our people. It was done, characteristically, not by a towering individual genius but by myriad talents. It was done by the young and done with all the passionate abandon of those who break old moorings only by forging new links. Andhra had been one of the most important centres of this great advance. It is now again being brought to life. The Andhra Praja Natya Mandali showed this in its recent gathering at Vijayawada.

INTERNATIONAL AFFAIRS

Kings and Couriers

G P D

They were offered the choice between becoming kings or the couriers of kings. The way children would, they all wanted to be couriers. Therefore they are only couriers who hurry about the world, shouting to each other messages that have become meaningless.

— Franz Kafka

REPLACE the word 'meaningless' with unnecessary, and that is the full description of the Kissinger phenomenon. The Kissinger diplomacy amounts to an exchange of unnecessary messages. His three days in New Delhi provided a classic example of unnecessary messages exchanged amidst equally unnecessary fanfare, pomp and glory.

It all began with the repetition of a myth, of Indo-American relations being a problem of two large 'democracies'. What democracy has got to do with either Indian or American foreign policy is incomprehensible. In any case, it is certain that Kissinger does not believe a word of that rhetoric. We probably do. It is an old Indian reflex at work: the more unreal we are in our utterances, the more seriously we tend to take ourselves. Repeatedly saying that the US and India are two 'great' democracies, we actually start to believe they are so. It is a short step from there to hoping that the relations between the two would be cordial.

The straightforward fact of the matter is that the relationship between a patron and a client ought to be as free of both real and apparent tensions as possible. Appearances are important in politics and, as such, an apparent reconciliation after an apparent misunderstanding is extremely desirable. Going by the Indian official view of the Kissinger trip, the visit was intended to assure us that the US is not at all worried about our policies and that it values us as much as, if not more than, China. Our deepening economic crisis and our food requirements were items on the agenda all right; but essentially, Kissinger was here to recognise us as a power on the subcontinent, to recognise our leading role in international affairs and, more important, to recognise the validity and utility of 'non-alignment'. The US also had to atone for its sin of having moved the "Enterprise" up the Bay of Bengal during the 1971 Indo-Pak war.

Kissinger complied with all this. He even emerged as the greatest champion of non-alignment. In his address to the Indian Council of World Affairs, he made it appear as if non-alignment was more relevant for the US than for India! He even quoted Nehru, which is something his hosts in New Delhi hardly ever do these days. He pleaded that the idea of blocs had become anachronistic and that bloc diplomacy did not make any sense. At long last, we had entered a world of sovereign equal States. This is, of course, the message which has, to use Kafka's words, "become meaningless".

What is relevant is American power and money. That, Kissinger assured Indira Gandhi, was behind her government. Some socialists, in their peculiar vision of 'social realism', seemed to equate Indira Gandhi and the late Allende; but Kissinger's bourgeois realism was much too sound to be disturbed by that kind of daydreaming. He assured the government that, whatever the US might do elsewhere, it was not out to overthrow constitutionally-elected governments — "much less so in India". Again, it was a characteristically unnecessary message. For, Indira Gandhi never really doubted American intentions. All that she complained about was "the marginal role" which the US always saw India to be playing. Indeed, India is willing to play the central role. And it is a pity that successive American couriers have failed to convey this message to their kings. The game of unnecessary messages has to be played by both sides.

Thus completely respecting the 'sovereign equality' of patrons and clients alike and the leading role of India in the subcontinent, Kissinger went on to call our *bi-alignment* the name we most like to hear: *non-alignment*. He traced its origin to Nehru. In short, he made enough noise to totally satisfy our ego: as if it was not India but the US that had turned a new page in foreign policy. He went further to assure us that the Soviets were not particularly perturbed over his visit to New Delhi. We could therefore claim that, in all major matters, we had stood our ground firmly and with determination.

There were some 'minor' matters though, like pulling us out of the economic mess and providing us with some food to eat. Some funds would be needed to prevent the imminent recession. The Indo-American Joint Commission will hereafter look into these matters. Nobody should interpret this as a concession or a surrender, because the Commission will address itself merely to building lasting Indo-American co-operation in such minor areas as: the economic and commercial, scientific and technological, educational and cultural. Three sub-commissions will go into detailed consideration of the problems in each area. Presumably, the US will help us out of several problems without making us sacrifice our dear principle of non-alignment. In short, we are going to discuss almost every aspect of our economy with various US agencies -- official and private. The intellectual and academic base of co-operation cannot be ignored either: The third sub-commission will explore ways of introducing new techniques in our social science research.

It it spurious to enquire whether the far-reaching implications of this new agreement have been fully grasped. No comprehensive agreements, such as this one, are signed in a hurry. Three years ago, we signed a treaty with one super power. Now we have bagged another agreement with the other super power. Probably Kissinger had this in mind when he said that 'blocpolitics' has lost all its relevance; everyone in the international system now has only one order to strengthen. The two super powers will bail you out of every difficult situation — provided you play the game according to their common rules.

It is not as though the super powers will not let you play with your favourite terms and images. Kissinger seemed more than willing there. He merely wished to underline that non-alignment could not be interpreted as independence and self-reliance in international affairs. Dulles feared that non-alignment meant self-reliance, and so called it immoral. Of course, Dulles was wrong. Kissinger has seen that non-alignment is easily amoral. In fact, India, over the last three years, has laid to rest the ghost of independent, self-reliant, foreign policy. Kissinger can now safely lay to rest the ghost of John Foster Dulles. That's probably the only meaning of the message he has carried back to his king.

ASEAN

A Blueprint for Neutrality

Pran Chopra

THE neutralisation of Southeast Asia has so far been only a set of pious intentions. But it is now taking the shape of a proposition. Senior officials of the ASEAN countries have nearly completed a blueprint for neutrality, and if Malaysian hopes bear fruit — Malaysian efforts are strenuous — it will be placed before the political leaders of ASEAN some time early next year. It is then that the problem of hard choices will start, for the five ASEAN countries, for the four states of the Indo-China peninsula, and for all other countries, especially the major powers, which are asked to define their responsibilities and attitudes towards the proposition.

ASEAN is much closer to this critical stage than the Indian Ocean area as a whole though it too has been aiming at neutralisation for the past few years. Three things have helped ASEAN to get to this stage.

First, the decline of the American military involvement in Vietnam, without which there would have been no way at all for Thailand to persuade America to withdraw its military bases, a withdrawal without which talk of Thai neutrality would have been an eyewash.

Second, the change in relations between China and the US, which makes it possible for Washington, or at least so Kuala Lumpur hopes, to contemplate withdrawing from those bases too, such as the ones in the Philippines, which were set up more for USA's global needs, not specifically for the war in Vietnam; without their withdrawal neutrality of the Philippines would be an eyewash too. Withdrawal of foreign forces stationed in Malaysia under arrangements involving Britain, Australia and New Zealand offers no difficulty, it is believed in Kuala Lumpur.

Third, removal of misunderstandings within ASEAN. Some member countries, such as Singapore and the Philippines, believed that what Malaysia was proposing was some sort of an ASEAN alliance with military implications, and they shied off, thinking that there might be a conflict here with their own bilateral commitments with countries outside ASEAN. In recent months they have been persuaded that this is not so.

Therefore it is now easier for Malaysia to suggest, as Tan Sri Ghazali Shafie, at present Home Minister but one of Malaysia's best known foreign policy experts, suggested at a defence seminar in Jakarta at the end of October, that the "conflict environment of Southeast Asia" is indivisible, that some internal security problems of the members have external dimensions, not only external to the country but to the region as well, that "threats or blandishments by external powers" might call for "a collective response by ASEAN member states" or a "regional resilience", towards which ASEAN is a "first step".

Probably the region's best known foreign policy authority, the Foreign Minister of Indonesia, Adam Malik, who also spoke at the same seminar of the continued danger, in some ways an enhanced danger, of external power interference in this region, also urged that the time had come for taking "some fundamental decisions and options". Some appear to have been taken now, at the level of officials, and are being written into what Tan Sri Ghazali Shafie has described as a "neutrality system"; they form the basis of the emerging blueprint.

Progress was painfully slow to begin with, leading to some impatience, especially in Kuala Lumpur. In the three years since the ASEAN Declaration of neutrality was signed in 1971, the follow-up committee of senior officials met only thrice, and then too remained lost in the question whether the concept of neutrality should be spelt out first or an action programme framed from which the concept could gradually emerge. The "Swiss pattern" was pitted against the "EEC pattern" and both against the "UN charter pattern" and all three against something else and much time was lost, some of it through filibuster.

A bit of both approaches won out in the end, judging by recent events. Equidistance from the big powers was accepted as a concept — not a difficult one to accept nowadays since diplomatic relations with China do not any longer offend anyone, and none of the big powers wants exclusive clients; the only problem may be that what is seen as equidistance from one capital may not seem so from another.

On the other hand, the key to a "neutrality system" began to be sought in the removal of external threats, either to the ASEAN area from outside it or to one member country from another, because it is fear of these threats which makes member countries seek foreign intervention or enables foreign powers to impose it.

A set of "guidelines" and "principles" therefore has been drawn up first by which ASEAN members should settle their mutual disputes, including border disputes. They do not envisage any super-national machinery, such as a court or an arbitral body which would infringe upon national sovereignties. But they enlarge and underscore various political approaches and seek greater acceptance thereof.

An old idea was debated also for a while: a big powers' guarantee for ASEAN members' borders, which would reassure each in respect of the other members and all in respect of infringements from outside the area. But this, it was feared, would open the way for exactly the same outside interference which neutralisation seeks to shut out. It might also amount to a commitment which would be too comprehensive, too open-ended to be acceptable to some major powers and may be accepted by others only for ulterior reasons.

Therefore the approach now more favoured is that external assistance should be accepted only if the ASEAN mem-

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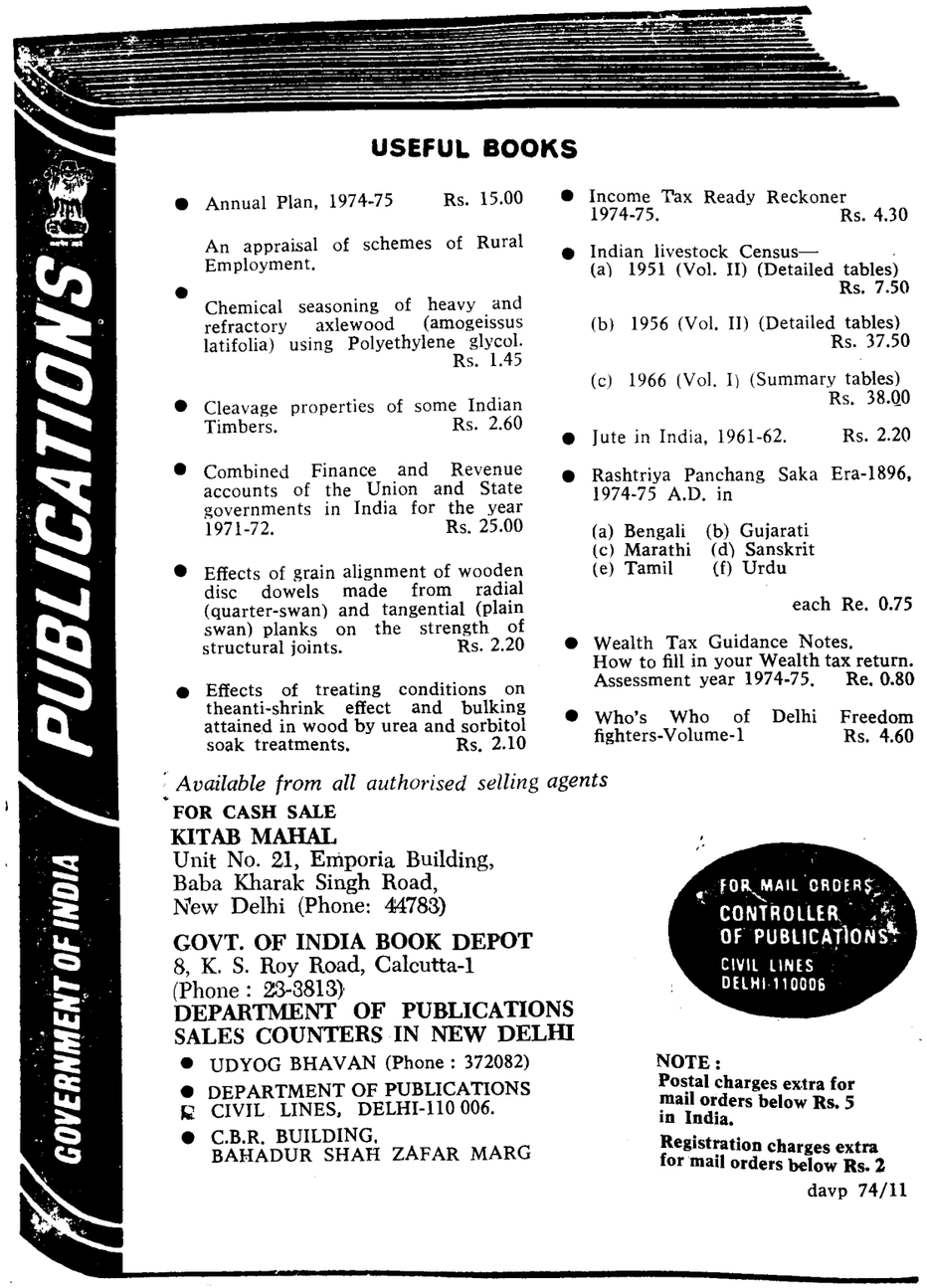
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bers themselves ask for it, and they should only ask if they think the threat, whether from inside or outside the region, is too great for the region's own resources to cope with.

Once the ASEAN member countries agree on what they expect of each other in terms of the guidelines and principles, the next stage will be to tell other countries what ASEAN expects of them. The precise alternative to guarantees will emerge only then, as an interaction between what each side expects and the other can accept.

Borders by themselves are not expected to offer much difficulty to external powers. They are no longer very greatly concerned as to where the borders between the ASEAN members lie so long as the members are agreed among themselves. Even the external frontiers of ASEAN would not worry them much.

But the borders can be a problem for the member countries themselves, for the countries which are members at present and even more for the countries which are likely to be invited to join one day: Burma, which has only a vaguely defined border with Thailand, and the countries of the Indo-China peninsula, where all border questions are wide open. One obvious consequence of this is very likely going to be that none of these countries will be invited, especially none of the Indo-China countries, until all can be, because that can only be done when they are all agreed where these countries are.

But even before that there will be an embarrassing hurdle to cross: to whom should ASEAN explain, in Cambodia let us say, what it expects of that country? On whether it approaches one Cambodian government or another may turn Hanoi's attitude towards it, and thence maybe Peking's, Moscow's or Washington's. The domino theory may work in reverse.

For this reason a smooth interlocking between concepts and specific policies will be needed, and much time may have to pass before the guidelines and principles can become a working reality. But if the effort is as serious as present postures suggest, 1975 may become a year of more concrete ASEAN diplomacy than any year has been since ASEAN came into being seven years ago.

THE FOURTH ESTATE

From Mission to Industry

Nireekshak

THE indigent, home-spun, embattled editors of the days of the freedom struggle were a different lot from the slick wizards with cultivated graces in public relations who adorn the editorial swivel chairs today. Before Independence, the Indian Press belonged to two broad categories: what was known as the Anglo-Indian Press, which was on the right side of the Establishment; and the nationalist Press, content to survive from one crisis to another, fighting to assert its right to freedom of expression and bedevilled by strict censorship and security regulations. To the editors and journalists who slogged in dingy offices (air conditioning was unknown and even fans were not common) for paltry salaries, the thrill of participating in a mission was the only recompense for all their risks and toils.

J N Sahni, endearingly known as Guruji to those who happened to work with him, entered journalism over 50 years ago when it had not yet become a profession. He became editor of *The Hindustan Times* at 26. The paper had almost collapsed, and he built it up. It is remarkable that Sahni should have waited 20 years after giving up active journalism to write his story* in these times of instant memoirs and quickies from the gentlemen of the Fourth Estate.

It is perhaps symbolic that Sahni quit as editor of a New Delhi daily when that which had been as a mission was gradually metamorphosing into an industry. The *noveau riche* proprietors began taking over the newspaper built up by the labour of journalists like Sahni. Their mission fulfilled and enough debts accumulated, the journalists had now to seek employment under proprietors. The *National Call*, which Sahni was editing when the freedom struggle was drawing to an end, had to be sold to a big business house, which had already acquired *The Times of India* group from the British interests who had owned it. Sahni continued as editor of *The Indian News Chronicle* — as the *National Call* came to be known under the new dispensation. Sahni's vignettes — of the semi-literate proprietor who claimed the Goddess spoke to him frequently even about the choice of editors for his papers, of the proprietor's new-found commitment to protecting Mother Cow, and of the sugar factory manager who was put in charge of the paper's management — make fascinating reading, and provide an insight into the life under the new class of proprietors for whom ownership of newspapers is but an extension of big money operations and stock market speculation. As Sahni cryptically says, they "naturally succumbed most easily to government pressures. Some of them were so much involved in shady transactions that, let alone ministers, the raising of an eyebrow by even an under-secretary could throw them into jitters and send them rushing to the editors for a change of tune".

Sahni is right. "During the succeeding years, just as government preserved the facade of legal freedom of the Press, resilient editors also tried to retain some image of independence in the eyes of their readers." Such pretences were meant to be kept up. Official and proprietorial pressures were mounting, and were different only in respect of the special interests involved. "Any editor or top journalist, therefore, who wanted to hold a job and a fat salary had to develop a flexible conscience. Even though brilliant, some editors almost became spineless. If the proprietors were unwilling, the editors were least inclined to take risks, not only because their own jobs would be at stake but because other proprietors also preferred adaptability to ideological obstinacy. A safe element of integrity, sugarcoated with a lot of brilliance, seemed to the proprietors an ideal combination. If this was not possible, proprietors preferred to take charge as editors themselves, or to appoint even non-entities to avoid legal and professional difficulties."

A new psychology thus began to permeate the politician-proprietor-editor relationship after Independence. The categories of editors began to proliferate in India — the proprietor-editor, the managing editor, the editor-in-chief, the resident editor, and the dummy editor — alongside of the erosion of professional morality. As Sahni looks back with a tinge of sadness, the Indian Press has gained very much in stature

* "Truth About the Indian Press", by J N Sahni. Allied, New Delhi; 1974; pp 259; Rs 45.

during the last 25 years: "It has grown into a massive giant, regrettably, though, a giant with cold feet".

The decline of the editor is a story not fully told yet. The nexus between big business and the newspapers tells, perhaps, only a part of the story — though it be a very relevant part. The government, which announced with gusto its intention to diffuse newspaper ownership, has now settled for de-linking the newspapers from big business houses. The now-on now-off bill to achieve this — one is assured — will certainly be introduced in the winter session of Parliament, and the Law Ministry is actually engaged in scrutinising the draft bill. D R Mankekar's book** gains topicality, thanks to the reported dismissal notice served on B G Verghese by the *Hindustan Times* management, and the proposed bill in Parliament. Many of the problems of the Indian Press have been attributed to structural deficiencies and the ownership pattern. Discussing editorial autonomy, the Press Commission commented in 1954 that a general agreement among all employees of a newspaper on its policy was a precondition for the form of ownership which could really succeed. In recent years, the *Le Monde* experiment has attracted a great deal of attention. Following protests by the staff over the change of its editor, the management handed over 28 per cent of the shares to the editorial staff, giving it a decisive voice in policy-making. A non-profit 'Corporation of Journalists of *Le Monde*' came into being and it named 14 journalist representatives on the paper's board of directors. With more than 25 per cent of shares controlled by them, the editorial representatives had 80 of the 280 votes and could veto anything they did not like. It ensures that the editorial director would be of their choice. The shares, to which the journalists subscribed at nominal value, do not belong to them individually. The share profits are not accepted by the Corporation and are held by the management for the benefit of all staff. The journalist staff of *Le Figaro* adopted the *Le Monde* model in 1971, with a few variations. *Stern*, a well known weekly from Hamburg in West Germany has framed a statute to safeguard the freedom of the editorial staff.

These experiments aim at safeguarding editorial independence. Mankekar, a veteran journalist who has held several editorial positions of note and emerged as a distinguished counsel on behalf of the newspapers before the Press Council (he pleaded with success on behalf of the *Searchlight* and *Pradeep* against the Bihar government; is representing the *Nai Duniya* against the Chief Justice of Madhya Pradesh; and has taken the *Hindustan Times* case on behalf of its editorial staff before the Council), has a few well-thought-out suggestions to make towards protecting editorial freedom. He thinks it can be assured only by a foolproof provision — statutory if necessary — for editorial autonomy against proprietorial and managerial intrusions and pressure. The editor's status should be raised and he should be included on the board of directors. The editor's autonomy can be fully exercised only when it is underwritten by economic security.

Much, of course, would depend on how the managements or proprietors choose their editors or change them. Mankekar has a point when he says the well-established Anglo-Indian newspapers in India accorded a high status to their editors and had them as members of the board of directors and were placed on par with the general managers. The Anglo-Indian papers of the past are now part of the *desi* Press, where the non-professional, financier-proprietor, looks upon the newspaper as yet another marketing package. The general managers have gradually become supreme, alongside the tragic decline of the editor. The long-promised bill might provide for the formal de-linking of the newspapers from big business houses, but that would not by itself guarantee editorial independence. The move for this has to come from within the newspapers; indeed, from the working journalists.

** "The Press Under Pressure", by D R Mankekar. India Book Company, New Delhi, 1973; pp 166; Rs 30.



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'Handbook' on North-East Hill Politics

M Horam

Hill Politics in North-East India by S C Chaube; Orient Longman, Calcutta; Rs 27.

THE five states of Assam, Meghalaya, Nagaland, Tripura and Manipur, along with the two Union Territories of Mizoram and Arunachal Pradesh, make up the mosaic of the North-East. These are sensitive regions, with complex socio-political problems which have defied New Delhi's attempted solutions. With the new territorial delineation of Assam, the Assamese and the plains tribes such as the Mikirs, Miris, Garos, etc, have been left in the state of Assam; the Khasi, Jaintia, and Garo Hills form Meghalaya; and the Naga-inhabited areas form Nagaland. Manipur has the Meiteis (plainsmen) as well as the Nagas, Kukis, Lushais, Mundas, and Garos. The two Union Territories are inhabited predominantly by tribals: the Lushais live in Mizoram, whereas the Monpas, Daflas, Apatanis, Abors (or Adis), Mishmis, Wanchos, Noctes, and an assortment of smaller tribes live in Arunachal.

Each area has political problems peculiar to itself, and Chaube has ventured to deal with them all in a single volume of 232 odd pages, which also include references at the end of each chapter and extensive quotations. While this is a bold undertaking, its very large scope hinders treatment in depth of issues endemic in each state or territory. The book might have been more effective as a study of the problems of this region if the author had focused on areas most familiar to him. His aims, mentioned in his Preface, are excellent; but the subsequent chapters, many of which are sketchy, render his claim pretentious.

Thus the first chapters briefly mention the most important historical events and issues — from the 18th century onwards. Many of the topics which could do with detailed treatment are mentioned with little or no explanation. The author merely refers to the 'Inner Line' policy, and offers a brief discussion on the advent of Christianity. Yet the importance and the far-reaching implications of both issues in the politics of North-East India today cannot be exaggerated. Chaube has dealt summarily also with a few other major subjects. Actually, his main work begins from Chapter 4 — 'Genesis of Hills Politics'. But regrettably, even this chapter is too short. A reader, already well-conversant with the political strands in the North-East, can easily recognise the main landmarks of political history set down in this chapter. But for readers whose knowledge of the politics of these areas is patchy, this chapter is of little help.

Easily the best and most comprehensive section of the book is to be found in Chapters 7 and 8. Here Chaube seems to be on familiar territory; he has done his homework well, and he writes with deep insight on account of his long association with Assam and especially the Khasi and Jaintia Hills. By contrast, the subsequent chapters on the politics of Nagaland and Mizoram, Tripura and Manipur, are based mainly on newspaper reports and other available literature. Also, the author has evidently relied on some interviews of people who have reasons for promoting certain points of view rather than any interest in presenting actual facts. In Nagaland, Manipur, and to a great extent in Mizoram, there are many ver-

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RADIANT

sions possible of any given issue; and what meets the casual eye does not reflect reality as it is palpably felt by the people.

Hence critical observation and investigation is missed throughout the book — notwithstanding the claim in the Preface to "historical perspective" and use of "history, geography and sociology". There is little of historical perspective and even less of tribal social system, economic conditions, social interaction, stratification, and basic geographical data which might aid understanding. Scientific investigation of several very pertinent, and determinative, questions is also missing. Consequently, tribal leadership, tribal search for identity, the extraordinary influence of Christianity on politics and society, and the touchy relationship between the plains and the hills people have not been touched. The book would have been better entitled "An Introduction to North-East Indian Hill Politics" since it is really a handy compendium of related facts, covering a large area over a long period of time.

There are a few inaccuracies in spelling, names, dates and facts; but these are minor errors. Examples are: on page 2, the reference to the 'wavy hair' of the Angamis, though Angamis unlike the other Naga and North Eastern tribes do not have wavy or curly hair; they are in incidentally, tall and fair-complexioned. On page 36, it is erroneously stated that the hill tribes were under the influence of Hinduism; in the pre-Christian days, on the contrary, most tribals were animists and some continue to be nature-worshippers even today and Khasis who are Christians in fact call the non-Christians 'shnong' or 'non-believers'. Then again, the Meiteis are not hill 'tribals' but plainsmen of Manipur; and whatever the origin of the Meiteis, they have not followed the tribal system of society. The claim on page 39 that the Baptist Church in Nagaland was 'nationalised' is not correct; and Christianity came to Nagaland in 1872 — not in 1876 (p 49). Mhasieu Angami has not left politics after his release (p 154). The 'Bordoloi sub-committee' (p 42), the 'Coupland Plan', and 'Crown Colony' (p 69), etc, are mentioned by name without so much as mentioning what they were — though references are given.

Still, with all its shortcomings, Chaube's book is the very first of its kind on the area. He has handled an unwieldy subject with courage, and what the book lacks in treatment it makes up in sincerity of approach. As a pioneer volume it will be useful to researchers.

Overview of Industrial Regulation

Tarjani Vakil

Indian Industrial Environment by Aravind Bakre; Business India Publications; Rs 80.

IT is easy for executives of industrial enterprises to get lost in the maze of legislation and regulations governing industrial activity in India today. And, at present, there is no known single agency whose function it is to guide them in problems relating to industrial licensing, finance, industrial relations, taxation, and trade marks. The book under review attempts to give a macro-view of the prevailing legislative environment. It is essentially a compilation of relevant data, selected from various sources and presented subject-wise.

There are 12 chapters. The first chapter deals briefly with the genesis and evolution of our industrial policy — its ostensible emphasis on the objectives of growth, social justice, and self-reliance. The second chapter outlines various schemes of the Central and state governments, which offer incentives for location of industries in backward areas with a view to promoting dispersal of industries and rectifying regional imbalances. The third chapter discusses important provisions of the Companies Act, 1956, such as those relating to transfer of shares, managerial remuneration, accounts and audit, and powers of the Central and state governments to inspect and investigate. There is also a reference to the salient features of the Companies Amendment Bill, now before Parliament. The next chapter deals with the provisions of the Monopolies and Restrictive Trade Practices Act, 1969, which seeks to restrain concentration of wealth and to develop a wider base of entrepreneurship. The fifth chapter is devoted to the Industries (Development and Regulation) Act, 1951 — a major instrument of industrial policy. There follows delineation of government policy on foreign collaborations. A brief description of the Capital Issues Control and the activities of the all-India financial institutions takes up the seventh chapter. The chapter on Import-Export Controls has some useful appendices, giving names, addresses, and jurisdiction of the various licensing/registering authorities. The concluding chapters deal with industrial law, corporate taxation, and consumer protection enactments, etc.

The inherent danger in writing a book with this range and ambition is that it is apt to become out-of-date soon. However, the author says he is aware of the need to improve the quality of the book's contents and to update it from time to time.

The publication is priced Rs 80, which might limit the demand for it. Greater attention could be paid to the editing and the proof reading in the next edition of the book. Yet, for all that, the book will prove of considerable benefit to company executives and students of present day Indian industrial environment.

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International Pharmaceutical Industry and Less-Developed Countries

I—Oligopolistic Power of Leading Firms

Sanjaya Lall

The pharmaceutical industry is one of the most 'multinational' of modern manufacturing industries; the firms which dominate it in the developed countries also operate in almost every less-developed country outside the socialist bloc.

The social importance of the pharmaceutical industry is such that in recent years it has been subjected to increasing enquiry and criticism in several countries. It is an indication of the industry's power that few of these criticisms have led to reforms in its basic structure.

Part I of this paper, which appears this week, examines the main characteristics of the international pharmaceutical industry, highlighting the anomalies and distortions that exist because of the peculiar structure of the drugs market and because of the great oligopolistic power exercised by the leading firms.

The implications of the structure of the international pharmaceutical industry for the developing countries, to which many of its less desirable features are transferred wholesale, are discussed in Part II of the article, which will appear next week. The additional social costs imposed on these countries by their playing host to the drug multinationals are described, using the Indian case as an example. The options open to the governments of the developing countries to reduce the cost of obtaining drugs are also considered.

THE pharmaceutical industry is today one of the most 'multinational' of modern manufacturing industries. The firms which dominate it in the developed countries are in some capacity present in almost every less-developed country outside the Socialist bloc. It is a dynamic and important industry: indeed the social importance of its products is such that in recent years it has been subjected to increasing enquiry and criticism in several countries. It is indicative of its strength that few of these criticisms have led to reforms in its basic structure.

This paper examines the main characteristics of the international pharmaceutical industry as it functions in the developed world, highlighting the anomalies and distortions that exist because of the peculiar structure of the drug market* and because of the great oligopolistic power exercised by the leading firms.

The implications of this industry for developing countries — to which many of its less desirable features are transferred wholesale — are discussed. The additional social costs imposed on these countries by their playing host to the drug multinationals are described — using the Indian case as an example.

The options open to the governments of the developing countries to reduce the cost obtaining drugs are also considered.

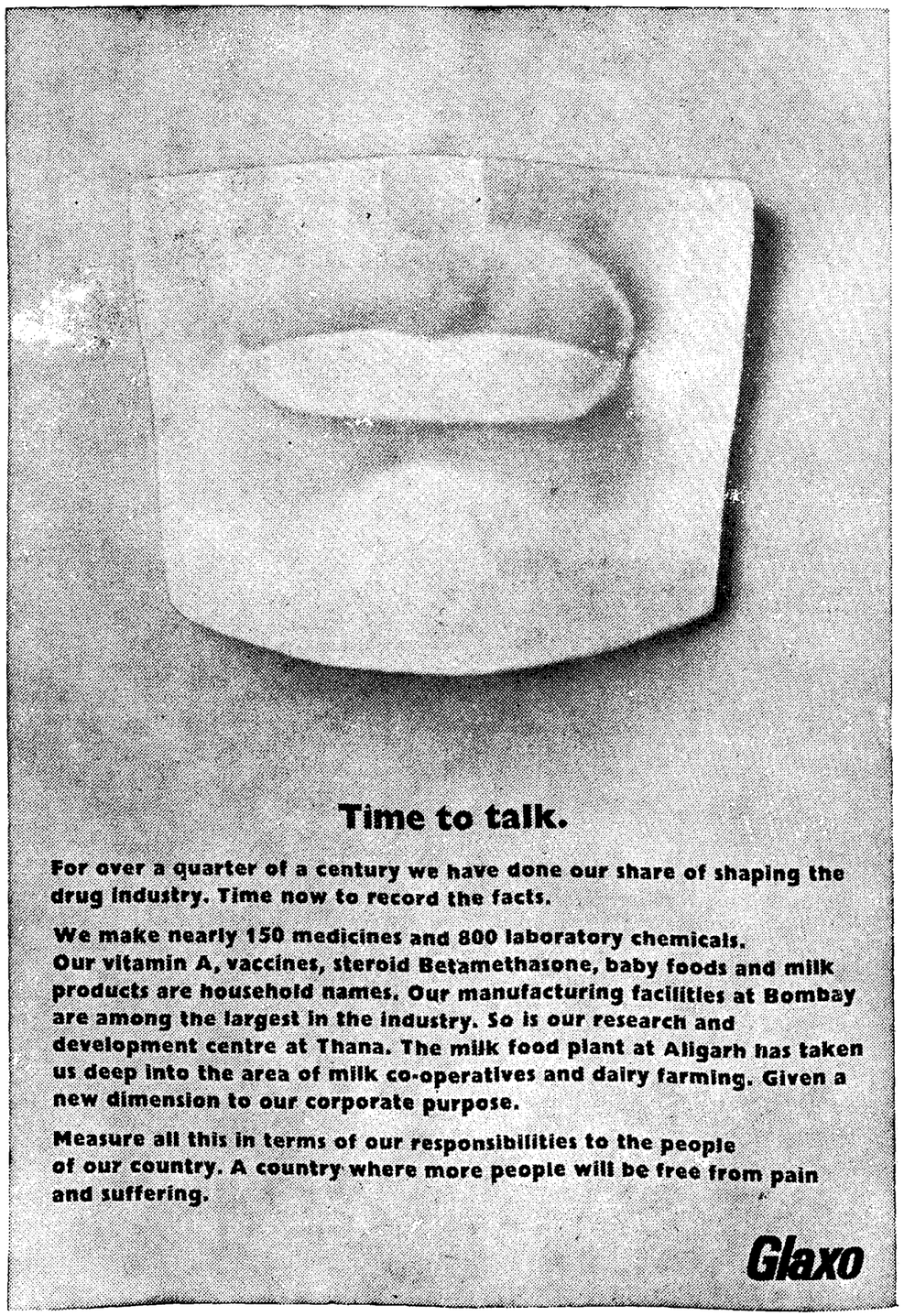
The paper draws heavily on the research into the pharmaceutical industry in the US and the UK, where official enquiries have uncovered a great deal of information on the industry's performance and practices not normally apparent to outsiders. Special attention is paid to the Swiss pharmaceutical firm, Hoffman-La Roche — which is now the largest drug company in the world — as detailed work has been done on it by the British Monopolies Commission and as information is available on its operation in the US, Colombia and India.

* The analysis applies mainly to 'ethical' drugs, medicines sold under brand names on prescription, but many characteristics of such drugs are also common to 'household' medicines sold directly to the consumer.

The Background

The modern pharmaceutical industry is a relatively recent phenomenon. One may trace its present research-based, rapid-product-change, synthetic-process, characteristics to the 1920s and 1930s. By 1969, the total market for pharmaceutical products exceeded US $ 10 billion for the OECD areas. This market was served by some 4,000-5,000 companies — ranging from tiny establishments and off-shoots of chemical concerns to enormous specialised manufacturers with turnovers of over $ 1,000 million per annum.[1] The vast majority of these firms were, however, very small, and production in each country has been dominated by a relatively few firms which are truly 'multinational' in their operations — though their ownership tends to remain closely held in their countries of origin. A recent report lists 38 firms with turnovers of over $ 50 million in 1970, led by Roche, and comprising 18 firms from the US, 4 from the UK, 4 from Germany, 3 from Switzerland, 2 each from France, Italy and Japan, and 3 from other countries.[2]

The British pharmaceutical market is fairly representative of the general structure: the Sainsbury Committee (1967) reported that, in 1965, of total sales of £ 161 million by 53 firms of NHS (National Health Service) products, over 60 per cent were supplied by 11 firms, and over 80 per cent by 20 firms. Of these largest 20 firms, only 5 were British; the rest were composed of 11 American, 3 Swiss and 1 other European firm. The 53 firms in the Committee's sample accounted for about 90 per cent of the total value of prescription medicines in the UK, with several hundred smaller firms sharing the remainder of the pharmaceutical market. Similarly, of some 500-700 phar-



maceutical firms in the US, the largest 35 accounted for 80-95 per cent sales in 1961,[3] and included most of the large European international concerns. This pattern is, according to the OECD study, common to all developed countries.

Little was known about the peculiar characteristics of the industry before 1959, when the Kefauver Committee undertook to examine 'Administered Prices in the Drug Industry' in the US.[4] Senator Kefauver was responsible for introducing legislation to remedy some of the least desirable practices of the drug industry, but later Senate hearings, under G P Nelson and currently under E Kennedy, show clearly that the basic economic and social problems were left unresolved. Investigations in the UK revealed similar problems, and, again, recommendations for reform were left largely unimplemented.

The official enquiries stimulated a strong and penetrating academic response, especially in the US, and several works critical of the industry appeared in the early and mid sixties by Harris, Steele, Schifrin and others. Academic interest, however, appears to have flagged — with the exception of Walker (1971) — since, the industry continued to expand strongly in the developed countries and elsewhere, with its worrying features left intact. Social concern has, on the other hand, grown greatly, and many countries are continuing to study the sector closely in order to tighten control over its operations.

So much for the background. Let us now briefly consider some of the characteristics of the drug industry, to see the causes of the concern felt, and to gauge whether its social costs have been higher than is justified with reference to the risks, expenses and responsibilities of the industry.

Main Characteristics of the Industry

The salient features of the pharmaceutical industry in developed countries may be conveniently grouped under four headings: production structure, technology, marketing practices, and profitability.

(i) Production Structure:

We have already noted that the pharmaceutical industry in each country consists of a large number of small, locally-owned, firms supplying a marginal proportion (say 10-15 per cent) of the medical preparations, side by side with a small number of large, mainly international, firms controlling the remainder. The reasons for such a structure are to be found in the concentration — and nature — of technology and the marketing practices of large firms. These we discuss below; but first we need make two points.

First, it has been argued that, despite the overwhelming presence of large firms, the degree of concentration is 'slight' because "the maximum share of the market held by any one company rarely exceeds 7 per cent ... 2 to 5 per cent are common for the larger companies, whether they are locally owned or international subsidiaries".[5] Such an argument is misleading, because the pharmaceutical market is extremely heterogeneous, and comprises a number of sub-markets within which firms have tended to specialise.[6] This has led to *concentration within product classes which is high both "in degree and stability"*,[7] and which spreads over both products protected by patents as well as older products. Thus, in each of the 13 major groups, the four largest firms accounted for 60-80 per cent of sales, *sometimes even* more.[8] In tranquillisers, for instance, Roche's two main products, Librium and Valium, accounted for almost 70 per cent of the value of British NHS prescriptions in this area; these two products are also claimed to hold over one-third of the entire world tranquilliser market.[9]

Second, in marked contrast to most other manufacturing industries, especially those dominated by the multinationals, the pharmaceutical industry enjoys practically *no economies of scale* in production (Steele, 1962, and OECD, 1969). The active ingredients are normaly manufactured in relatively small volumes, and in many cases an increase in production merely requires the addition of fermentation vessels of standard size. As far as production technology is concerned, therefore, large firms have no special advantage over small firms, and there is no economic benefit to be gained, in terms of production costs, from encouraging bigness : The fact that bigness has succeeded is due to an entirely different set of reasons.

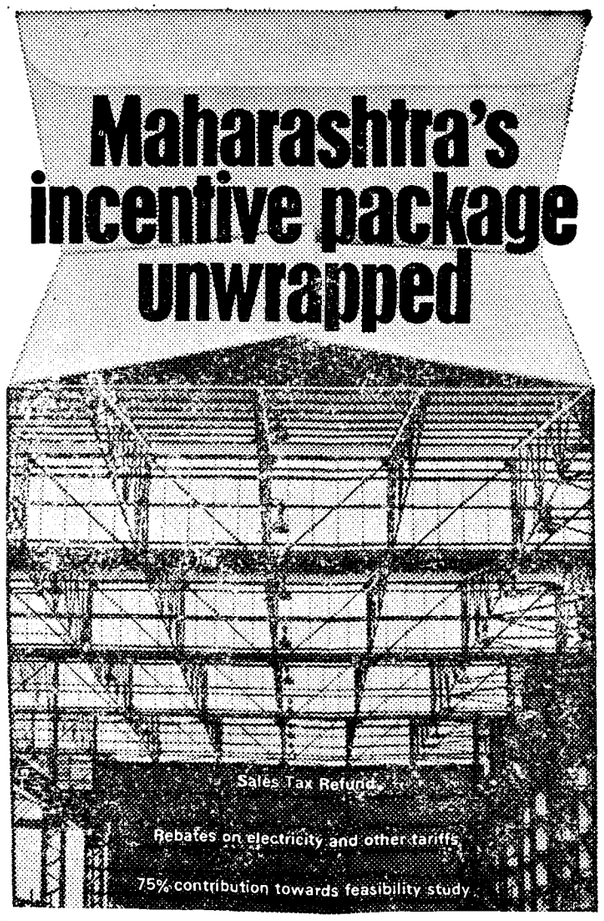
(ii) *Technology:*

The pharmaceutical industry is highly research-intensive; indeed, of all non-military industries in the US, it recorded the highest ratio of research expenditure to sales in the mid-sixties; and it devoted the largest part of its R and D expenditures to 'basic' research as opposed to other kinds of research and product development.[10] Total R and D expenditure in the UK on NHS products came to £18.5 million in 1965 (Sainsbury Committee), and to £20.2 million in 1968,[11] while in the US it was over 10 times higher in 1965 and approached $431 million in 1967.[12] The US was by far the largest spender on pharmaceutical R and D, and also accounted for the bulk of new drugs marketed in the post-War period. Switzerland and West Germany, followed by the UK and France, were also responsible for a number of new discoveries — though in the US market, they each accounted for 7 per cent or less of the new drugs introduced in 1941-64, while US firms accounted for 61 per cent.[13]

In general, large pharmaceutical firms spent about 10 per cent of their turnover on R and D in the US and UK in the mid-sixties.[14] Roche currently claims to be spending almost 15 per cent on R and D —[15] which is high, but by no means unusual in this industry. There is no doubt that the pharmaceutical industry spends a lot on R and D and has produced a number of valuable new medicines. However, this admission tells us little about whether the expenditures have been *efficient from a social point of view*, in other words, whether or not the same number of effective new drugs could have been developed at a smaller cost to society.

It is, by the very nature of the problem, difficult to pass any definite judgment on this score, since no alternative and complete system of conducting pharmaceutical research exists in the West. The firms themselves stress the long gestation period (up to 7 years) and high (and rising costs) involved in developing, testing, and marketing of drugs; and they point out that the element of risk in such R and D is extremely high. Critics have to rely on more circumstantial evidence, and this suggests that the firms' claims — while true to some extent — conceal a number of factors which contribute to their R and D costs without conferring much benefit on society. Let us consider these.

[A] First, R and D expenditure is very highly concentrated among large firms: in the US, for instance, the four largest firms accounted for 40 per cent, the eight largest for 63 per cent, and the twenty largest for 95 per cent of the total R and D in the industry.[16] In the UK, the Sainsbury Committee found that the four largest firms spent over 70 per cent of the total, the higher concentration being partly explained by the fact that foreign firms did relatively



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little R and D in this country. Such concentration would be desirable if there existed economies of scale in conducting pharmaceutical research. The empirical work which has been done in this subject is not conclusive; but it does suggest that there are economies of scale (*measured in terms of innovations resulting from R and D expenditures*) up to a certain size of firm, after which *research productivity* tends to decline.[17] Most of the big drug firms have establishments much larger than the 'optimum' size, which indicates that the present allocation of R and D resources is not the most efficient possible.

It is not clear why such diseconomies of scale in R and D should come into play for very large establishments: perhaps the problems of co-ordination and administration rise sharply after a certain level, or perhaps the nature of research activity is such that a certain amount of decentralisation and freedom is essential. If diseconomies do exist, however, why do firms maintain such large facilities? The explanation may be that diseconomies of scale in R and D are *not incompatible* with high expenditures being profitable for the firms concerned — since the *private benefits*, yielded by innovations from extra R and D, may continue to exceed the costs involved for substantial increases in size. Profitability in this industry depends greatly on individual firms' hold over patents as one source of market power (see below), and R and D costs and benefits are necessarily difficult to compute in advance; thus, it is not surprising that the largest firms should finance vast laboratories.

[B] Even if diseconomies of scale in research did not exist, it could be argued that the basic *nature* of private R and D in this industry — aiming at patentable products and processes — leads to the misallocation of research expenditures. The vital role of patents in the drug industry is well known, and we discuss some implications of the patent system below. The point to note here, however, is that a great deal of R and D — which is generally treated as a current tax-deductible expense — is devoted to squeezing out the maximum possible amount of profits from the patent system. Thus, *for a firm which innovates a new drug, patents can serve not only to protect the initial discovery, but can, with judicious timing and some careful changes, help to introduce 'new' products and so prolong patent-protection much after the initial patent has expired.* For rival firms, it may prove very profitable to imitate the innovation by 'molecule manipulation' and thus secure a marketable product.[18]

The common practice of imitative patenting leads to a great deal of socially worthless, but privately profitable, research. Though a certain amount of imitative research leads to useful new compounds of existing chemicals, it is certainly arguable that the same improvements could be achieved at a much lower overall cost at non-competitive research establishments. Naturally, there are problems in evaluating the real contribution of 'molecule manipulation', which enable drug firms to make claims that are difficult to challenge. The consensus of opinion among economists is, however, that the present system is wasteful and inefficient, and that an appropriate change in the direction of R and D would be beneficial.

[C] Though the industry claims to do a large amount of 'basic' research, and though the claim is — if not to the full extent stated — justifiable, there has evolved a *certain division of research* labour between the private sector and government/academic institutions. Comanor, 1966, and the Sainsbury Committee, both argue that there is a necessary complementarity between the more fundamental and non-profit-oriented work done in the latter and the market-oriented work of the former. It is not clear, however, that such a division of labour is 'natural' or 'necessary'; *on the contrary, it has evolved precisely because marketing and production have been left to a profit-maximising private sector, and because the public sector researchers are not geared to producing finished drugs.* If the research structure had been different, it is easy to imagine that a less wasteful form of R and D would have been undertaken without any loss in the quality and quantity of drugs produced.

This case can be strengthened by two points. First, the amount of state-sponsored research is very large, coming to about £20 million in the UK, and £440 million in the US, in 1965 — and exceeding private research in this field by 200-300 per cent.[19] Since the results of such research is published (and so provided free) or sold for nominal licence fees to the private drug firms for further development, it serves, where appropriate, to provide a valuable input to the latter without their paying the due cost to society. Since the profit on new drugs tends to be higher than on old ones, moreover, it also serves to raise the overall rate of profit of the firms concerned. Second, where official agencies, such as the Medical Research Council in the UK, *have* tried their hand at producing marketable drugs, they have been extremely successful.[20] There does not seem to be any intrinsic disadvantage in public research in this field, and the fact that private firms conduct most of the final R and D is not because private efforts are necessarily more productive but because public R and D is rigidly accorded second place.

[D] The problem of *drug patents* has been a vexed one, and much has been written on both sides of the debate,[21] without a clear answer emerging on the optimal form of legal protection to be granted to private innovators. In most developed countries, patent protection is granted for 16-20 years (16 years in the UK and 17 in the US); in the pharmaceutical field, a distinction is drawn between processes and products, with many countries (e g, Switzerland) permitting only process-patents and some permitting both (the UK with some restrictions, and the US with none).[22] The US lies at one extreme, with very liberal patent laws (which include normally unpatentable 'naturally occurring' substances); and Italy and Finland at the other, with no pharmaceutical product or process patents permitted at all.

The essential case for granting patent protection is similar to that for granting any other form of protection against competition: the recipient of the privilege is given a monopolistic position which enables him to charge higher prices than he otherwise could, the short-term welfare loss due to these higher prices supposedly being offset in the long run by a higher rate of innovative-output and a decline in the price of the protected product after recoupment of a 'fair' return on the R and D investment. The original conception of such protection was, of course, to encourage small innovating firms or individual inventors — though it is very likely that large private research-based firms need this protection just as much if they are to survive the rigours of oligopolistic competition.

The pharmaceutical industry has often been accused of 'abusing' the patent privilege granted it. What constitutes 'abuse' in this context? There may be several forms:

(a) We have already noted how the system encourages a great deal of wasteful expenditure on imitative R and D and patenting, by directing re-

search primarily at the production of marketable, rather than therapeutically, new products.

(b) The complexity of patent laws and the high cost of litigation works strongly in favour of large firms; small firms often find it easier to sell their innovations to their giant competitors for a lump sum, rather than to contest infringements in protracted court cases.[23] To this extent, patents limit rather than promote competition in research.

(c) A substantial portion of allegedly R and D expenditure in fact goes into buying international patents. For instance, the cost of international patenting to 3 large US drug companies in 1972-73 came to £ 15 million, *and was charged as a research expense.*[24] Such measures are purely for extending the monopoly position of firms from domestic to international markets; moreover, it is misleading, for the purpose of evaluating research effort, to place them in this category.

(d) The main abuse of patent-protected monopoly is, however, that it permits *excessive profits* to be earned by pharmaceutical firms. We shall return to the profitability of the industry later, but it should be noted that the granting of a long period of virtual monopoly in a product, which faces very inelastic demand and which is very heavily promoted (these market characteristics are described in the following section), violates the main economic justification of patenting — *viz*, that the returns earned are 'fair' in some sense of the word.[25] The returns, in fact earned by the pharmaceutical industry, are high by any standards; and, as is argued below, they cannot be justified by the riskiness of the R and D effort. Moreover, the pricing policies of the large drug firms are based on purely monopolistic principles of 'what the market can bear', rather than on the socially responsible one of lowering them after recovering research costs. Roche, for instance, had not lowered the price of Librium at all in the UK since its introduction in 1960, until the government forced a price reduction on the firm in 1973. The case is now being hotly contested.

To summarise this section, the structure of private research and development in the pharmaceutical industry, and its supporting base of patent laws, leads to heavy and not necessarily efficient concentration of R and D in large firms, to a great deal of wasteful expenditure on competitive patenting, and to granting patent protection which can lead to 'excessive' profits.

(iii) *Marketing Practices*:

The technological structure of the pharmaceutical industry provides only one explanation — and probably the minor one — of its oligopolistic market power and its ability to earn high profits. The other lies in the peculiar market structure — and the resulting marketing practices — of the industry. It is this which leads it to have practically the highest ratio of promotion and advertising costs to sales, ranging, in the US, from *three to four times its R and D expenditures*, and accounting for about *one-third of the value of* sales![26] In many cases, the promotion costs have actually exceeded the cost of goods sold — though, on the figures available, the cost of promotion in the UK has been much lower than in the US.[27]

There are three reasons for this state of affairs:

First, there is a complete separation of identity between the purchaser (the patient) and the choice-maker (the doctor) in the pharmaceutical market. In countries which have nationalised health services, the patient also becomes separated from the purchaser — the State; in either case, the person who pays for the drug is totally distinct from the one who actually chooses them. There is, therefore, no *direct* pressure on the effective buyer — the doctor — to economise, though he may, *if* he had full knowledge of prices and no brand preference, prescribe drugs according to the income of the patient; the patient is, of course, obliged to obey the doctor's orders and his demand curve is likely to be fairly inelastic to the extent that he can reduce the other expenses under his control. In fact, there is little evidence that doctors are very price-conscious, as figures on price differentials given below show.

Second, there is a sharp distinction between products marketed under generic names and those sold under brand names.[28] The bulk of the promotion effort goes into persuading doctors to prescribe by brand names — introducing what is in many cases, a completely spurious product-differentiation between drugs with identical pharmacological properties. In cases where there is patent protection, advertising helps to promote the brand image and to secure it for long after the protection has expired. In other cases, it introduces a strong monopolistic element into what would otherwise be a more competitive market.

Third, the very speed of introduction of new products, the profusion of brands (there are, for instance, about 700 drugs sold under 20,000 names in the US), and the virtual absence of official provision of systematic information in the field, has made the medical profession heavily dependent on the firms themselves for information about new treatments![29] The industry can, therefore, claim to be serving a social function by its promotion — when, in fact, the purely informational content is low, relative to the commercial content, but can be most profitably blended with it.

These factors, combined with the fact that marketing is the one aspect of drug manufacture where there *do* exist considerable economies of scale,[30] have led to the evolution of marketing practices which rely heavily on free samples, frequent visits by representatives, voluminous and glossy mail literature, banquets on the introduction of 'new' products, free trips and expensive presents, and Madison Avenue-style magazine and journal advertising — and which cost over $750 million in the US in 1958, and about £41 million in the UK in 1970.

The effects of such promotion have been extensively discussed, especially in the US Senate hearings. The main effects are as follows.

(a) The use of brand as opposed to generic names is actively promoted by large firms — in that, they themselves, subject to approval, can choose generic names upon the patenting of new products but deliberately choose complicated generic names; brand names are always simpler and more catchy in comparison. Furthermore, in the layout of drug advertisements, brand names are invariably more prominently displayed than generic names.

(b) It is very difficult, if not practically impossible, for the prescribing doctors to have immediate access to information which would enable them to compare prices of identical drugs, despite the amount of promotion undertaken. Advertisements hardly ever mention prices — ignoring one of the basic precepts of 'socially responsible' marketing — while representatives are trained to promote their wares on non-price grounds. In fact, in the US, it is even *illegal* for generic name catalogues to compare their prices with those of branded equivalents, or even to mention brand name equivalents of generic name products.[31] This state of affairs, combined with the effects of patent protection, has led to price anomalies

which would be difficult to imagine in almost any other industry:

(i) Differences in the price of the same brand between different parts of a country or to different purchasers: for instance, Roche's Librium was being sold, within the US in 1965, at $ 45 (for 500 capsules of 25 mg each) in Des Moines, at $18.50 in Philadelphia, and at $21.75 to the Veterans' Administration — the difference between the lowest and highest city prices being 243 per cent.[32]

(ii) Differences in the price of the same brand between different countries: to take Roche again, Librium cost the pharmacist (before the compulsory price cuts) $2.40 in England (for 100 tablets of 10 mg) and $6.82 in US, in 1973,[33] while Valium cost twice as much in Australia, and over 6 times as much in Switzerland, as it did in this country.[34]

(iii) Most surprising of all, differences in the price of the same drug between brand names and generic equivalents, or between heavily promoted brand names and those of small firms in the same market: There are innumerable examples (especially in Kefauver, 1966, and Steele, 1964) of branded products being sold at prices ranging up to over 1,000 per cent higher than others, with no effect on the large market shares held by them. In Roche's case, a small British firm, DDSA, supplies its equivalent of Librium under a compulsory licence at prices 25 per cent lower than Roche yet had not been able to capture even 3 per cent of the market for this drug by 1970.[35] Furthermore, to illustrate the importance of promotion, as opposed to patent protection: in Italy, where no patents are allowed on pharmaceuticals, there are a number of copiers of Librium. Seven firms sell at prices 30 per cent lower than Roche, yet have "failed to make any headway in the market", with Roche holding 80 per cent of the market.[36] It is important to note that such differences apply to drugs whose patents have expired as well as to patent drugs manufactured under compulsory licence. In other words, there is no relationship at all between the price differential and the returns 'legitimately' earned on R and D; promotion serves simply to create and maintain an artificial monopoly position.

(c) Pharmaceutical marketing does not gain its ends only by a repetition of the scientifically established virtues of its products. Many instances have been reported of excessive claims, suppression of information about side-effects, or incomplete reporting of results; as is only to be expected in circumstances where profitability depends on such promotion, firms take their claims to the limits of scientific acceptability, and often exceed them.[37] Roche, among many other firms, has also been accused of unfair advertising tactics; to quote evidence given before the US Senate:

> "The advertisement (for Valium) did not mention some important qualifications ... background information and qualifications which might appear in a scientific article (were) omitted and the results exaggerated beyond what the authors intended. This particular advertisement has now been withdrawn but ... it was the subject of the most extensive advertising campaign which I have ever seen for a psychotropic drug."[38]

The role of representatives ('detailmen' in America) is of particular importance in such promotion. Not only do their visits save doctors the trouble of having to read, but their conversations are unrecorded, they use such tactics as 'gifts and fast-talk gimmicks' to win over nurses and receptionists, they sometimes gain access to confidential files to discover doctors' prescribing practices, and they subject recalcitrant doctors to "concentrated sales assaults" to win them over to their products.[39] Evidence now being presented before Senator Kennedy's Committee in Washington has led him to consider very strong measures to control and reform the marketing system there.

(d) A similar problem to that of the 'hard sell' arises from the promotion and sale of *ineffective* drugs. Recent reports in *The Guardian* (1974) have claimed that US and Swiss firms are selling over 100 drugs, costing several million pounds each year, in the UK, which have been withdrawn from the American market after being found to "lack evidence of effectiveness" by the Food and Drug Administration. There is no official body in Britain which evaluates the effectiveness of drugs now on the market — the Committee on Safety of Medicines does not compare the effectiveness of existing drugs and is primarily concerned with safety[40] — and the only body competent to do so (the Macgregor Committee) was disbanded in 1970, allegedly under pressure from the industry.[41] While there do exist difficulties in testing the effectiveness of drugs, which have caused the drug firms' representative body (the Association of British Pharmaceutical Industries) to call the US official rating 'relatively useless', this problem cannot be dismissed casually, and all serious investigators have recommended urgent reform of a system so patently liable to abuse.

(e) Finally, a great deal of advertising by large pharmaceutical concerns is intended to disparage the lower-price products of small competitors, especially by the unwritten means of representative persuasion. "There is probably no other industry in existence where the disparagement of the quality of lower priced products can so completely substitute for actual price competition".[42] Detailed surveys of the evidence in the US give no reason to believe that the generic equivalents of branded drugs are inferior in quality or checked less intensively for a quality-control: If there exists any basis for hesitation, a small diversion of the present advertising expenses of the large firms would be enough to strengthen official drug inspection sufficiently to remove it.[43]

The case against the existing structure of private drug marketing — a peculiar configuration of private profitability, doctors' convenience, and official inaction — is thus very strong. There is no doubt that the drug companies' promotion serves the useful social function of bringing new discoveries to doctors' notice; but there is also no doubt that this promotion creates powerful monopoly positions, confuses the flow of correct information, may induce inappropriate prescribing, and generally leads to considerable social waste. The problem is weightier than that raised by private R and D, and has been recognised for many years.[44] *Yet nothing has been done to effectively remedy it* — a triumph for the economic and political power of the drug industry,[45] which has enabled them to maintain their profit-earning capacity over long periods. We turn now to this aspect.

(iv) *Profitability*:

It is hardly surprising, in view of the extent of market control exercised through the factors discussed above, that the pharmaceutical industry is one of the most profitable industries in the developed world. It has, since the mid-fifties, consistently recorded profits substantially higher than the average for all industry, in both the US and the UK.[46] In 1966, the industry earned 21 per cent on capital employed in the US as compared to 13 per cent for all manufacturing; and in the UK, a survey of 110 pharmaceutical compa-



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nies showed a return of 26 per cent for 1967-69 as compared to 12.6 per cent for all manufacturing.[47] A recent publication reveals that the returns on capital employed for the three leading British drug companies in 1972 were: Becham Group, 41 per cent, Glaxo, 22 per cent and Boots, 45 per cent; Beecham and Boots were beaten by only one firm, Rank Xerox, in the top 100 British firms in that year.[48] The Sainsbury Committee report, while expressing reservations about the declared profits of foreign drug firms, shows that of the 27 largest firms in the UK, 23 had returns on capital employed of over 10 per cent, 8 of over 30 per cent, and 3 of over 50 per cent.[49]

The stated profitability figures are, of course, rather difficult to interpret, partly because of the existence of hidden profits in the form of transfer prices and various charges (discussed below), and partly because of the unreliability of the book value of assets as a measure of the real value of investment. Inflation (particularly in recent years) has rendered the book value of fixed capital a very unrealistic gauge of their present worth, and it may be argued that the denominator in the profitability ratio should include 'investments' in goodwill, brand names, marketing channels and patents. While such adjustments would certainly bring down the rates now seen to be earned, we should bear in mind that inflation affects all industries and should not bias a *comparison* of inter-industry profits, as also that expenditures on patents and marketing are all charged as current costs and may not be seen as 'investments' by firms allocating capital resources. Thus, it still seems valid to assert that the pharmaceutical industry is, as a whole, exceptionally profitable relative to other industries, and that this position has been maintained by virtue of its great market power over a very long period.[50]

The defenders of the drug industry, while admitting to its high profitability, have sought to counter the charge that the profitability is 'excessive'. They point to the *exceptional risk* attached to research-based operations. If the claim of exceptional risk were valid, we would expect an analysis of the data to show that risk and uncertainty, as opposed to other factors, exercise a significant influence on the profitability of drug firms; furthermore, we would expect the industry to show considerable fluctuations in its earnings, relative to less risky industries, and we would expect to find drug firms which were exceptionally unproductive of innovations to show relatively low returns. None of these factors is supported by the evidence: econometric analysis of the determinants of profits *does not* show that risk is a very significant variable;[51] the industry has *consistently* earned profits higher than the average; and firms producing few innovations have nevertheless shown very high profits.[52]

It is difficult, therefore, to accept that the drug industry faces *exceptional* risks which can justify its abnormally high profits; indeed, the evidence at hand leads one to believe that profits derive mainly from a monopolistic situation which seems to be very secure rather than very vulnerable. Risk would be a more convincing bogey if the stranglehold exercised by patents and marketing were not so tight: in present conditions, it is hardly surprising that the industry has been so often accused of charging 'excessive prices', in relation to costs of production and permissible profits, by people who have made a close study of its costs and practices.[53]

We must, at this point, consider an aspect of profitability which is directly related to the international operations of pharmaceutical firms. There is a close integration of operations, *via* the trade of intermediate chemicals, between different branches of international pharmaceutical firms, which offers ample opportunities for the misuse of *transfer-pricing* (on the commodities so traded) to ship profits clandestinely from one country to another. There are many reasons why firms may wish to declare profits in one country rather than another — the main ones being tax differentials, restrictions on repatriation, and some threat to profitability if it is seen to be too high.[54] The drug industry is especially vulnerable to threats because of its social importance, especially in less-developed countries, but it is also exceptionally profitable and offers exceptional facilities to use this channel, because intra-firm trade is quite large and chemical prices very difficult to check.

The Roche case in the UK, offers a clear illustration of the possibilities. This firm has always declared very low profits in England, generally below 5 per cent of capital employed. Yet the Monopolies Commission found, on very careful and conservative estimates, that its real profitability was *over 70* per cent of capital employed (£ 25 million) for the period 1966-72, and declared profits comprised only 12 per cent of this total.[55] The Sainsbury Committee also remarked (paragraph 301) on the possible use of transfer-prices by foreign firms,[56] *no* doubt the profitability of the firms as reported would have been much higher if such prices could have been checked.[57]

This concludes our survey of the main characteristics of the pharmaceutical industry in the developed world; let us now sum up its main social costs as seen from the above discussion.

Social Costs of the Industry

The social costs of the pharmaceutical industry may be defined very broadly as the costs of providing its products over and above the costs of the next best alternative. The alternative posited here, for illustrative purposes, is a completely socially-owned industry, with publicly financed research and a central non-competitive information service, and earning acceptable (whatever that may be for public services) or zero profits.[58] It would be foolish to attempt to put figures on any such estimate; a mere indication of the factors involved will have to suffice.

The costs of the present structure exceed the costs of the alternative in the following respects:

(i) The same amount of useful *research and development* results could probably be achieved at a much lower cost; the industry wastes a lot of money at present in imitative and misdirected R and D, in buying up international patents, in inefficient concentration, and in unnecessary litigation.[59]

(ii) There is even greater wastage involved in the *promotion activities* of pharmaceutical firms: these involve the creation of monopoly privilege which permits enormous and unjustified price differentials, the confusion of necessary market information, the wastage of doctors' time in meeting representatives, and the denigration of cheaper products which prevents effective competition.[60]

(iii) The level of *profits* is much higher than private capital earns elsewhere in the economy, and cannot be justified by the existence of any special degree of risk.[61]

These costs are borne either directly by the patient or indirectly by the taxpayer. In the first case, where medicines are privately purchased, the hardship created is much greater than in the second — because many ill people (probably disproportionately more than income distribution figures would indicate) are poor, and must either divert resources from other necessary uses or

must do without the medicines altogether. In the second case, though everyone is able to receive medication, it is possible that the State allocates a certain total sum to social expenditure, and a high medical bill diverts resources from other social activities.

(To be concluded)

Notes

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1 See the survey by OECD, 1969.

2 Appendix 5, Monopolies Commission, 1972. Of the *first 10 firms* by size of drug sales, 3 were Swiss, 1 German and 6 American. The 4 British firms were considerably smaller, and their combined drug sales came to only about one-third of the sales of the Swiss firms.

3 The exact number of pharmaceutical firms and value of their production is not known for the US, but estimates by Schifrin, 1967, and Walker, 1971, put the figures in the broad range mentioned above.

4 For a summary of this Committee's findings, see Kefauver, 1966.

5 OECD, 1969, p 49. The report by NEDO, 1972, makes a similar point.

6 See OECD, p 69, for a breakdown of different products in 5 European countries: of the 13 groups, 'other' accounts for 33-44 per cent of the total.

7 Schifrin, 1967.

8 *Ibid.*

9 *Financial Times*, 1973. This estimate is given by the firm itself, and may, in view of the pressures put on Roche in several countries, be highly conservative.

10 Schifrin, 1967. The Sainsbury Committee notes that 'fundamental' research accounted for 57 per cent of total R and D expenditures in the UK in 1963-65, though it expresses grave reservations about the definition of the term as used by the firms. The comparable US figure is 17 per cent, which seems more realistic (see Walker).

11 *Trade and Industry*, 1974. The figure is for 'Pharmaceuticals and Toilet Preparations'; in terms of ranking, this industry came fourth for R and D as a percentage of turnover and fifth for R and D as a percentage of net output and value added.

12 Wortzel, 1971, Table 5. Note that the figures for the two countries are stated in their respective currencies.

13 *Ibid.* See also the OECD study for a comparative description of R and D in various countries.

14 OECD and Sainsbury Committee.

15 *Financial Times*, 1974a.

16 Walker, 1971, p 128.

17 *Comanor*, 1965, and *Monopolies* Commission, 1972, Appendix 6.

18 Schifrin, 1967, quotes an official US publication to the effect that of the total number of new products (5,386) introduced in 1949-63, most were duplicates of existing products or new compounds of existing products; only 618 (11 per cent) contained new chemical entities not previously known. *The Economist*, 1974, points out that of 1,500 patents filed in 1972, only 45 were 'genuine new drugs' and 150 were 'major modifications'; the rest were purely imitative. To some extent, therefore, R and D by drug firms consists simply of 'market research', scouting the *industry for copiable products.*

19 Cain, 1967. Private research is defined to include research undertaken at the firms' cost at universities.

20 *Ibid.* In some cases the 'skills' of the Medical Research Council are hired to private firms and joint research projects are becoming *more common*; as with research output, such co-operation rebounds mainly to the benefit of the firms.

21 For a brief survey of patent laws in 34 countries, see UN, 1964; for a defence of patents as a stimulant to pharmaceutical innovation see Cooper, 1967, and for critiques see Schifrin, 1967, Scherer, 1971, Johnson, 1970, and Steele, 1964. The effect of patents on less-developed countries is discussed later.

22 Process rather than product patents are supposed to stimulate the research for more efficient ways of producing given products rather than simply to imitate existing products.

23 See Steele, 1962, and Scherer, 1971. Unfortunately no figures are available on the legal expenses of drug firms.

24 *The Economist*, 1974. The charge made that a large number of patents are bought in less-developed countries and left unused is considered later.

25 Nearly all countries, with a major exception of the US, have provisions for compulsory licensing after a few years of granting patent protection in order to stimulate competition. The Roche case (Monopolies Commission, 1973) illustrates the limited effectiveness of this provision. It is worth noting, however, that the US Supreme Court does occasionally grant compulsory licences; it recently forced ICI and Glaxo to give a compulsory and free, unrestricted licence for an antibiotic (*Financial Times*, 1974b). It remains to be seen how far this constitutes a basic change in policy towards patenting. On various proposals for reform, see Scherer, 1971.

26 *See Kefauver, 1966, Steele, 1962* and Schifrin, 1967. The most thorough discussion of this topic is in Walker, 1971. In 1967 the industry accounted for the highest single share (17 per cent) of advertising of the total for 27 US industries, its sales accounted for less than 5 per cent in that year. See Wilder, 1974.

27 OECD, 1969, and Sainsbury Committee. It is possible that a part of the expenditures classified under 'administration' are in fact on marketing; even the reported level of promotion expenditures have, however, been severely criticised by the Sainsbury Committee, which concludes (p 71) that pharmaceutical manufacturers have in their sales promotion efforts failed to measure up to the 'appropriate responsibility'. The Monopolies Commission (1973) shows a steadily rising cost of promotion as percentage of sales, from 13.9 per cent in 1965 to 14.8 per cent in 1970 (p 40).

28 Walker, 1971, (p 32) estimates that of the total of 696 drugs in use in the US in 1961, 377 (58 per cent) were produced by single firms only; of these, 293 (78 per cent of 277) were marketed under brand names by the 33 large firms. Of the 588 drugs marketed by large firms, 450 (77 per cent) were under brand names and only 138 under generic names; of the 384 drugs marketed by small firms, 227 (59 per cent) were under generic and the rest under brand names. In many countries prescriptions using brand names cannot legally be substituted by the pharmacist for cheaper generic products.

29 This state of affairs is also the result partly of inadequate teaching of clinical pharmacology in medical schools and partly of apathy on the part of the doctors who do not take the trouble to read medical journals or other serious literature. The only guide to the effectiveness and cost of drugs in the UK, Prop List, was stopped three years ago by the Department of Health, allegedly on grounds of economy, but perhaps under pressure from the drug industry. See *New Scientist* and *Guardian* 1974.

30 See Monopolies Commission, 1973, p 40, for a breakdown of sales promotion expenditure by size of firms.

31 Steele, 1962. Charges have been levelled recently in the UK that the industry's promotion methods often lead to over-prescribing and mis-prescribing by doctors. Gould in the *New Scientist*, 1974, concludes after a survey of the evidence that "There is thus no existing body in Britain with the responsibility for acquiring the information needed for the intelligent handling of medicines" (p 471). Raphael in *The Guardian* makes a similar point.

32 *US Senate, part 5, p 1,745, and* Steele, 1964.

33 *The Times*, 1973, Librium prices in India are discussed below.

34 *The Financial Times*, 1973, 1974. Roche is now under investigation in West Germany, Sweden, Australia, the US, Holland and the EEC Secretariat for its pricing policies.

35 *Monopolies Commission*, 1973. DDSA advanced a number of reasons why Roche had advantages in marketing from its sheer size and tactics.

36 Cooper, 1967. A report in the *Sunday Times*, 1973, compared the prices of some leading drugs in the UK with the comparable 'free market' price (from non-patent observing countries like Italy and Finland) and found, for instance, that Eaton (US) was charging the NHS *102 times* the alternative price for Nitrofuraitoin, ICI (UK) was charging *60 times* higher for Propanolol, and Smith Kline (US) was charging *145 times* higher for Trifluoroperazine. A comparison of the cost of 4 leading drugs in the UK (Aldomet, Penbritin, Intal and Indocid) to the NHS (total US $71.3m, year unspecified) with their free market cost ($18.5m) shows that the NHS could have obtained these drugs for about 25 per cent of their actual cost. These figures are computed from the *Sunday Times* report.

37 See, for instance, Walker, 1971, pp 84-7. Not only are representatives briefed to play down all unfavourable aspects, a great deal of money is spent on financing clinical studies and buying 'testimonials' which are misleading and sometimes bogus, and serve only to promote sales. Walker notes how many of the questionable tactics of selling toothpaste or household medicines, with the backing of spurious "doctors' advice", are also used in drug advertising.

38 US Senate Hearings, Part 13, 1969, p 5417.

39 These findings are reported in the *New Scientist*, 1974, p 491.

40 On the defects in the present system of official scrutiny and subsequent mis-prescribing by doctors, see *New Scientist*, 1974. Such is the "general ignorance about medicines [that] there must be official control over advertisements and other techniques for promoting drugs sales, since doctors and patients are normally in no position to judge the validity of claims made by the manufacturer" (p 471).

41 *The Guardian*, May 14, 1974, page 1. The accusation was made by Labour MPs dealing with health problems.

42 Steele, 1962.

43 *Ibid.*

44 The Sainsbury Committee, whose recommendations were largely unimplemented, suggested strict control over promotion and a gradual official takeover of the information function from private firms. Various American authors, cited above, have recommended the abolition of brand names and alternative means of providing information; the bill to be introduced by Senator Kennedy will set up a centre to study, among other things, the possibility of using *independent* representatives to keep doctors informed.

45 The political implications, though fascinating, are difficult to analyse for an outsider; it is worth noting that a forthcoming book by R W Lang, "The Politics of Drugs: A Comparative Study of the British and Canadian Pharmaceutical Industries, 1930-1973", (D C Heath, Ltd), may cast light on just this. According to the publisher's advance notice, the author, Director of the Legislation Department of the Canadian Labour Congress, discusses "why British manufacturers were successful in resisting the Labour government's legislative programme to reduce costs".

46 See Parker and Kelly, 1968, Sainsbury Committee, 1967, Schifrin, 1967, Smith, 1972; and Monopolies Commission, 1972 (Appendix 14).

47 NEDO, 1972, p 30. This report notes the higher profitability of the larger firms as compared to smaller ones in the industry.

48 *The Times 1000*. The profits earned are on all the activities of the firms, not only drugs.

49 Sainsbury Committee, p 110.

50 The latest figures, reported in the business section of *The Guardian* (June 11, 1974, p 17), show that "Profitability is *considerably higher for drugs than most other manufacturing industries* even though the actual level has been falling. The average return on capital is still 18 per cent . . ." (italics added).

51 Parker and Kelly, 1968, conducted a comprehensive econometric test of the causes of abnormal profits in the drug industry and concluded "the high profit experience of the drug industry is related only minimally to risk and uncertainty in a causal way . . . *[it is] more closely* associated with high barriers to entry of new competition" (p 165).

52 Schifrin, 1967.

53 For instance, by the Kefauver Committee, which found that the actual cost of goods sold was less than one-third the value of sales for the 22 largest drug firms in the US.

54 See Lall, 1973.

55 Monopolies Commission, 1973, pp 45-9.

56 See Table 7 of Appendix 1 of the report.

57 One estimate of transfer-pricing profits is £ 400 million per annum as a whole, and £ 35 million for France. See *The Economist*, 1974.

58 The alternative of restoring competition in some form, by breaking up the large firms into small private firms, is not considered as efficient as the alternative of a socially-owned industry because it would not prevent either a misdirection of R and D expenditure or costly and misleading advertising practices; in the long run, therefore, it would be impossible to prevent a re-emergence of the present situation.

59 This assertion begs a number of questions about the operation of publicly-financed R and D institutions — their efficiency, their need to buy international patents, their size in relation to the 'optimum' scale — which we cannot enter into here in detail. The experience of public research is very encouraging, as we have argued previously, and it certainly cuts out imitative patenting; a public corporation could, if it wanted, buy foreign patents and sell licences, though this is not recommended below for LDCs; the size o fresearch establishments could of course be adjusted to any desirable scale, given the massive total R and D expenditure involved.

60 This particular feature could presumbaly be remedied within the present framework of ownership by stricter control over marketing and promotion and the abolition of brand names; however, a really efficient control system would in practice amount to a state selling service, not very different in this respect from our alternative.

61 As with marketing, an efficient State buying service could in theory ensure 'reasonable' profits for private firms, but the Voluntary Price Regulation Scheme in the UK has not been able to achieve this for the NHS, and it is difficult, for political reasons, to envisage comprehensive negotiation on prices and profits. However, any move in this direction should lead to a lowering of costs.

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Kothari Sugars

KOTHARI SUGARS AND CHEMICALS has produced good results for the year ended June 30, 1974. The gross profit of the company was Rs 87.38 lakhs as against Rs 45.58 lakhs for the ten-month period of the previous year. After providing Rs 43.16 lakhs (Rs 17.60 lakhs) for depreciation, Rs 34.47 lakhs (Rs 10.80 lakhs) for development rebate reserve and other adjustments, out of the balance amount of Rs 21.18 lakhs, a dividend of 9 per cent on equity shares aggregating to Rs 14.40 lakhs has been recommended by the Directors. The Directors could have recommended a higher dividend but for the restrictions imposed by the government on the distribution of dividend. The company's new factory at Siruguppa was erected and commissioned in a record time of 18 months and crushed 1.08 lakh tonnes of cane and produced 97,800 quintals of sugar. The total crushing at the Kattur and Siruguppa factories was of the order of 4.76 lakh tonnes as against 2.25 lakh tonnes in the previous season, yielding a total quantity of 4.04 lakh quintals of sugar as against 1.97 lakh quintals in the previous season. The average recovery at Kattur was 8.33 per cent and at Siruguppa 9.13 per cent. The company has received an industrial licence for increasing its crushing capacity at Kattur to 4,000 tonnes per day from the existing 1,500 tonnes per day. An application has been made for increasing the crushing capacity at Siruguppa to 4,000 tonnes per day from the present 1,500 tonnes per day. It is estimated that during 1974-75, the crushing will be of the order of 5.88 lakh tonnes, producing about 5.28 lakh quintals of sugar.

Self-Identity among Scheduled Castes

A Study of Andhra

Uma Ramaswamy

In terms of social and economic status there are clear differences among the Scheduled Castes. There is a well-recognised hierarchy among them. No all of them are untouchable; even among those that are, there are degrees of pollution. There are also religious cleavages among the Scheduled Castes.

Despite these differences, however, the Scheduled Castes have been ascribed a clear identity by society and they themselves are growing aware of a shared status. This paper examines some aspects of the historical process by which the Scheduled Castes in Andhra Pradesh — and in particular in the coastal districts of the state — have gained a sense of shared identity.

THE Scheduled Castes are a disparate category in terms of social and economic status. There is a clearly recognised hierarchy among them too, with some not even accepting water from others. Not all of them are untouchable. Even among those who are, there are degrees of pollution. Although associated in popular thinking with polluting occupations, the bulk of them are engaged in a number of secular occupations, most prominently agriculture. There are also religious cleavages among them, even excluding those who have been converted to Christianity. Yet, the Scheduled Castes have been ascribed a clear identity by society, and they themselves are growing aware of a *shared* status. At first sight it would appear that, the identity these castes have is in opposition to that of those who are above them, and that it results from their low socio-economic position — in spite of the internal differentiation. This paper attempts to examine some aspects of the historical process by which the Scheduled Castes in Andhra Pradesh — and in particular the coastal districts, generally referred to as 'Circars' — have gained a sense of shared identity.

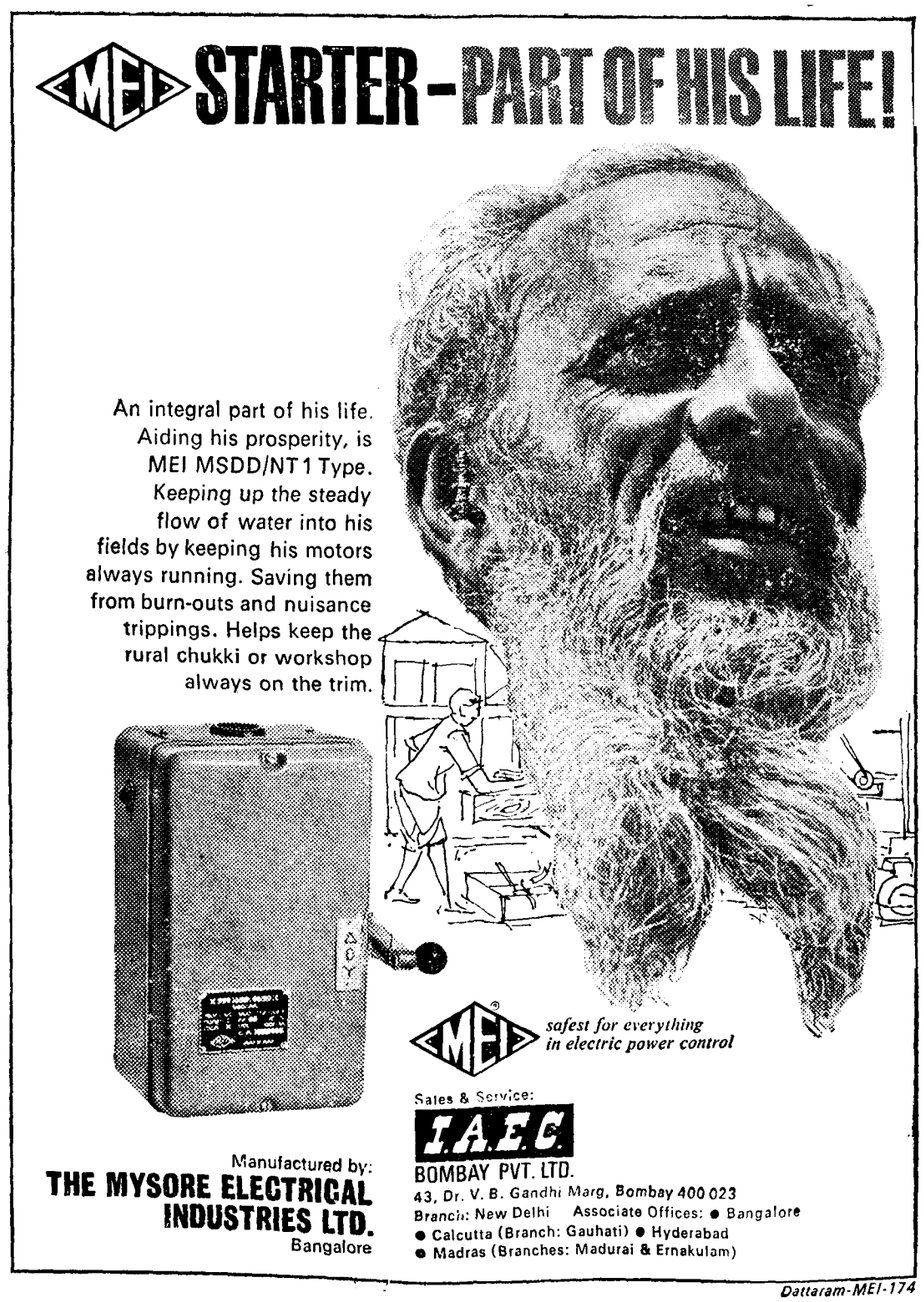
The first attempt to impute an identity to these people arose from the need to extend educational facilities to the lowest rungs of society. Certain sections of society had to be delimited in order to be treated preferentially. A number of terms, such as Panchama, Harijan, Exterior Castes, etc, came to be used to refer to these people, but the one that gained the greatest currency was 'Depressed Classes'. The most significant act of the British, which set the trend of subsequent policy, was the denotation of castes rather than individuals as depressed. Nevertheless, the category 'Depressed Classes' was an amorphous one — often including low-ranking castes other than untouchables, besides the tribals who lived alongside the Hindu population. Interestingly, as late as in 1930, the Indian Statutory Commission defined Depressed Classes in as ambiguous a fashion as before: "In origin, these castes seem to be partly 'functional', comprising those who followed occupations held to be unclean or degrading, such as scavenging or leather working, and partly 'tribal', i e, aboriginal tribes absorbed into Hindu fold and transformed into an impure caste."[1]

Even as the British were considering the extension of educational facilities to improve the lot of the lowest castes, Christian missions were actively proselytising them. The association of the Christian missionaries with the Telugu speaking people stretches back to the 15th century, when two Jesuit fathers and a brother worked their way to Chandragiri in Chittoor district. The missionaries were most active in some of the coastal districts, such as East and West Godavari, Guntur, and Krishna. In these districts, like elsewhere in the country, the people who were most amenable to conversion were those who had the least to lose from leaving the existing order. The professed catholicity of Christianity proved attractive to people who were long subjugated by caste Hindus.

Two kinds of forces worked strongly in favour of their conversion. On the one hand, there were tangible benefits to be gained by way of education, medical help, and employment opportunities by their entry into the Christian fold. On the other, Christianity was an egalitarian religion in the formal sense. The notion of equality — and even more the idea of abandoning caste distinctions — were attractive to the converts, especially to the untouchables who were only too willing to give up their stigmatised identity. Gazetteers cite instances of individuals who entered missionary schools in the hope of gaining Western education and got converted to the Christian faith. Fishman, a missionary who did a study of Madigas in Kurnool, shows how conversion was induced through the offer of material gains. The Madigas of Cumbum taluq were converted *en masse* when one J E Clough, who took up construction work on the Buckingham Canal, offered employment to the untouchables in sharp contrast to Hindu contractors who discriminated against them. The number of converts to Christianity in this taluq increased fourfold within one year.[2]

While the missionaries made use of the stigma of untouchability to proselytise these castes, they did nothing to whittle down caste distinctions within the church itself. Rather, they exploited caste cleavages in their efforts at conversion. Reddy, for instance, observes that the missions tended to exploit the traditional antagonism between the Malas and Madigas. The Mala converts at Malkapuram in Kurnool district were by and large Roman Catholics while the Madigas were Baptists. He writes. "In places where two missions are at work, each comes to claim the allegiance of one particular community, evoking the aversion of the other".[3] Fishman's data also support this conclusion.[4] Most of the converts in his area were Madigas. Typically the converts have carried over caste distinctions to Christianity. As a consequence, caste distinctions have become an integral feature of the Christian community. Yeatts writes, "The Christian communities can rarely free themselves from caste differences and prejudices ... There are wide variations in the degree to which these prejudices exist along with alleged Christianity. They are stronger among Roman Catholics than Protestants, possibly because the former have a larger proportion of adherants of higher caste origin; they are worse in the south than in the north or west and rural areas than in towns."[5]

Conversion to Christianity helped the untouchables to register significant gains in the fields of education and employ-



ment. The Indian Statutory Commission observes: "The Indian Christians stand high in the table of literacy. More than one in five of them have returned as able to satisfy the test — a remarkable result, considering that so many of them are drawn from the lowest strata of Hindu society."[6] Christian converts also did better in the matter of securing employment. Between 1930 and 1940, the Christians in Madras presidency secured on an average between 7 and 8 per cent of the jobs in the various categories of government service as against less than one-half of one per cent by the non-Christian Scheduled Castes.[7] But, as *Fishman observes, the* efforts of the missionaries to uplift these castes solidified outcaste community feeling among them and furthered the development of a *new group* loyalty.[8]

The coastal districts of Andhra, which witnessed missionary activity, were also exposed to the influence of Brahmo Samaj, beginning with the end of the 19th century. The Brahmo Samaj in Andhra was more a reform movement than a religious faith, and received its impetus from the rapid conversion of caste Hindus to Christianity. Expectedly, Brahmoism gained the greatest ground in the coastal districts which witnessed hectic missionary activity.

Although Christianity eventually appealed more to the untouchables, its earliest association was with the upper castes. The missionaries went so far as to imitate upper caste style of life and were even referred to as 'Romapuri Sanyasis'.[9] In Masulipatam, Kakinada, and Guntur, several prominent members from the upper castes, including Brahmins, entered the Christian fold. Kaleswara Rao cites an instance where 12 Brahmin youths in Kakinada converted to Christianity within a short span of time.[10] Alarmed by the rapidity of such conversions, several Brahmo leaders took upon themselves the task of countervailing Christian influence.

Pattabhi Sitaramayya, the well known Congress leader, notes that Brahmoism offered an effective alternative to Christianity. Sitaramayya writes, "Reverend Mr Eddy [who was appointed to investigate the decline in conversions in Masulipatam] came to the conclusion that the heterodoxy which was widely prevalent in the town did not mature into conversions because of the halfway house between orthodoxy and conversions to Christianity through Brahmoism taught and practised by Sri R Venkataratnam Naidu.... He was truly a halfway house because the orthodox forces in the town who had started a society called the Hindu Matha Bala Samaj, looked upon Brahmoism as inimical to and subversive of the old conservative faith, and the Christian missionaries were detesting this Brahmo faith which, while preaching social reform and a certain measure of heterodoxy, successfully stopped further progress that might have resulted in outright conversion to Christianity."[11] Consequent upon Brahmo activity there was a steep fall in conversions to Christianity. For instance, in Masulipatam, which was the centre of missionary activity, there were only two conversions between 1890 and 1895.

Apart from resisting Christian activity, Brahmoism was also concerned with uplifting the untouchables. Brahmo leaders, drawn mainly from among Brahmins, were active in providing education to these people and in inculcating a social consciousness among them. Venkataratnam Naidu went so far as to adopt untouchable girls and get them married to high caste boys.[12] Other prominent Brahmo leaders of this time were K V Pantulu, Unnavalakshminarayana, Ramjee Rao, and Chilakamarthi Lakshminarasimham. Several of them were active in the Congress and Justice parties. The few, who were out of party politics, had important political connections which helped their reform activity. At a time when orthodox Hindus were rationalising the condition of the untouchables, these leaders braved public opinion to help these people out of their wretched condition. Untouchable children were provided free education and hostel facilities. The best known of these institutions were the school and orphanage at Pithapuram and the college at Kakinada.

Most of the Brahmos were prominent literary figures. The satirical works of Veeresalingam Pantulu, hitting out at orthodox Hindu practices such as untouchability, gained tremendous popularity. But the greatest impact was had by "Malapalle" written by Unnavalakshminarayana, a Brahmin Brahmo leader. This book portrays the trials and tribulations of the untouchable Malas. The publication of this book led to such an outcry that the British government, fearing serious upheavals, banned it. Its author was excommunicated by the Brahmin community. It was only in 1926, at the instance of Kaleswara Rao, a well known Congress leader and champion of untouchables, that the ban on the book was lifted.[13]

Several Congress leaders, in the twenties and thirties, were sympathetic to Brahmo ideals. They were active in the Library Movement which was sweeping Andhra in the twenties. One of the aims of this was to win admission for the untouchables into public libraries. They succeeded in this in the teeth of opposition from orthodox Hindus, who threatened to boycott the libraries if Harijans were admitted to them. The Brahmos were instrumental in grooming several of the educated Harijan leaders outside the Christian fold. Many of them were, in fact, educated in schools run by Brahmos. By the 1920s, when Gandhiji took up their cause at the national level, there was widespread awareness of their condition among the untouchables in Andhra, and several untouchable leaders had already come to the fore.

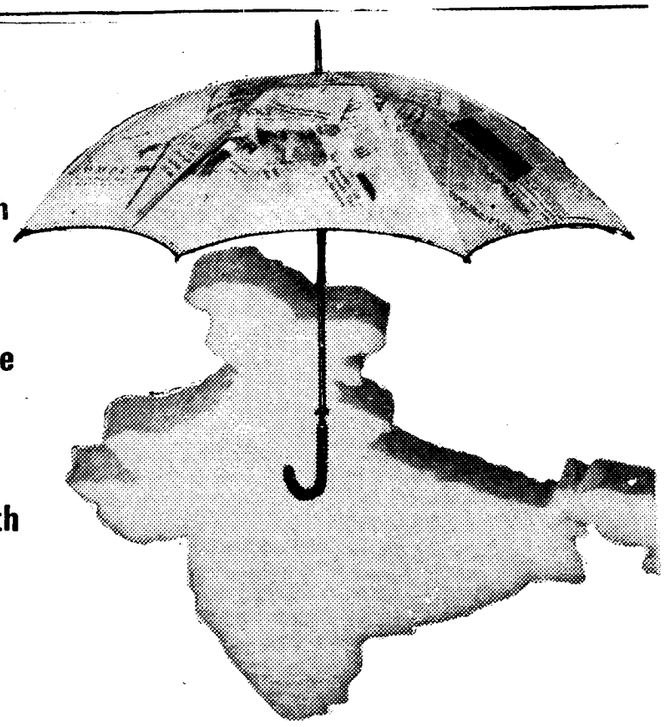
Brahmos were different from the Christian missionaries, in the sense that, rather than convert the untouchables to a different faith they sought to integrate them with the Hindu community. This was the burden of the literary works of Brahmo leaders and of efforts to get untouchable girls married to members of high castes. What Brahmoism, however, succeeded in doing was to impart a social consciousness which nevertheless fostered a sense of identity among the untouchables, instead of integrating them with the wider society. For instance, many of the schools started by them were exclusively for the untouchables, and were recognised as such by the wider society. The school started by Ramjee Rao at Masulipatam restricted admission to Malas and Madigas. Similarly, Unnavalakshminarayana started a college at Guntur for Harijans and Christians who, in any case, were converted Harijans. Brahmo influence in Andhra was shortlived and had tapered off by the late thirties.

The Malas and Madigas, who constitute three-fourths of the Scheduled Caste population in the state, pursued Brahmo attempts at emancipating them by sanskritising their life-style and ritual. Their attempt conformed to the pattern described by Srinivas: "The method of making a claim was more or less stereotyped. The occupation, style of life, or name of the caste group, would be mentioned in support of the claim. The similarity of caste name to the historical name of a respectable caste or tribe would be pointed out; the myth regarding the origin of the caste would be described, and its linkage with an epic hero or divine or semi-divine figure, would be stressed."[14]

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POPULATION OF CASTES RETURNED AS DEPRESSED IN 1931 CENSUS

Caste	Population
Adi Andhra	6,64,844
Arunthathiyar	17,396
Jambuvulu	6,701
Chandala	2,113
Mala	8,37,718
Mala *Dasu*	2,399
Madiga	6,12,411
Godari	419
Godagali	969
Panchama	75,574
Matangi	623
Bariki	3,695
Chachati	5,130
Chamar	140
Jaggali	3,020
Nai	19,444
Paidi	39,437
Paky	2,017
Valmiki	4,289
Ghasi	608
Sapari	462
Madari	6,617

Source: Census of India, 1931, Madras, Volume XIV, Part I.

Congress and Brahmo leaders. Many of the leaders of the association were former students of the separate schools started by Brahmos. The association impressed on the untouchables the value of cleanliness, unity and teetotalism. A congregation of the community was organised by the association at Vijayawada at the time of Montagu's visit, under the presidency of a well known Harijan leader from Hyderabad. The congregation replaced personal names, such as Ramigadu and Subbigadu, which smacked of an untouchable origin with sanskritic names, such as Ramayya and Subbayya. It was resolved that the Panchamas should henceforth be referred to as Adi Andhras, and that they should be granted separate representation in the Madras legislature.

These demands were placed before Montagu. Two of the 10 seats reserved for the untouchables in the Madras legislature, under the Act of 1919, went to the Malas and Madigas. Encouraged by their leaders, the untouchables started their own temples and took to reading the sacred scriptures. They also organised resistance to the mass conversion of untouchables to Christianity.[15]

Another important sanskritising activity was to claim a respectable nomenclature through the medium of the census. Till the 1921 census, the Malas and Madigas were the only two castes to be listed as 'Depressed Classes' in the Telugu speaking areas of Madras presidency. But, by 1931, the list included a number of castes under the title 'Exterior Castes'. The Table gives the list of these castes and their population. Most of these castes claiming impressive titles such as Matangi, Arunthathi, and Godari, were none other than the offshoots of the Malas and Madigas. By claiming these titles they were seeking to disown their low status and, at the same time, to avail of the privileges that were being provided to the untouchables independently of the Malas and Madigas.

Jambavulu, according to Thurston, "claim to be descended from Jambu or Adi Jambavalu, who is perhaps the Jambuvan of the Ramayana."[16] Matangi is a "synonym of Madiga. The Madigas sometimes call themselves Matangi Makkalu, or children of Matangi, who is their favourite goddess."[17] Godari, once again, is "... a synonym of Madiga, and not a separate caste."[18] The mushrooming of these castes, along with conversion to Christianity, caused a decline in the population of Malas and Madigas in the twenties and thirties. Discussing the conspicuous variation in the population composition of the Depressed Classes Yeatts writes: "... Madigas have diminished apparently 16 per cent. More pronounced decline, however, is apparent in their hereditary enemies, the Malas, who have shed a million ... The Andhra section [of Adi Andhras], now two-thirds million strong, had no returns in 1921 ..."[19] Commenting on the claims of these castes, Yeatts writes: "There is something infinitely pathetic in the vain idea that a change of name can reverse the stigma of centuries; yet the community would apparently retort to Juliet that all lies in a name. It is a mistake to encourage terms which obscure real social units. That so ugly and clumsy a term as Adi-Andhra should come to obliterate such real and lively distinctions as Mala and Madiga is hardly to the good."[20]

The policy of protective discrimination, developed in stages since the Woods Despatch of 1854, has had implications similar to those of religious and social reform for the relation between the Scheduled Castes and caste Hindus. This principle was first applied in the field of education. The lower castes had been excluded from higher education till 1854 in accordance with the Downward Filtration Theory which advocated higher education to the higher castes alone.

The Board of Directors of Education observed: "The improvements in education, however, which most effectively contribute to elevate the moral and intellectual condition of the people are those which concern the education of higher classes, of persons possessing leisure and natural influence over the minds of their countrymen. By raising the standard of education among these classes you would eventually produce a much greater and beneficial change in the ideas and feelings of the community than you can hope to produce by acting directly on the more numerous class."[21] There were also problems in throwing open the government schools to the Scheduled Castes. The Board of Directors of Education felt that "... until the prejudices of the people in this respect were overcome, what was intended to enlighten the great mass of people might otherwise, from their prejudice, degenerate into a boon to the lowest classes alone."[22] The Woods Despatch of 1854 threw open education to all classes and the Despatch of 1857 discouraged the idea of separate schools for the lower castes.

However, the opposition of the high castes to the admission of students from the Depressed Classes in ordinary schools was very strong in the Madras presidency. The government considered its earlier decision and the Education Commission Report of 1883 recommended the establishment of separate schools wherever necessary. In 1893, the Madras government sanctioned a series of proposals, which were widely hailed as the Magna Carta of Panchama education.[23] Among the measures recommended by it, were higher stipends for Panchama students and teacher trainees, grant of *poromboke* lands for Panchama schools, and the opening of special schools by local boards and municipalities for the Panchamas in all large Panchama villages.

The next important step was in 1921, when the Madras government appointed a commissioner of labour to take charge of the education of the Depressed Classes. Among the important measures adopted at this time were the admission of students from these castes to all public-managed schools and stoppage of grants to private schools which excluded them, the creation of separate schools and hostels for them, and the financial assistance through fellowships and remission of fees. Although some of the later proposals sought to integrate students from the different castes, the emphasis was clearly on the creation of separate facilities for the untouchables. M C Rajah, a prominent untouchable leader in the Madras presidency, advocate a *via media* in a memorandum submitted to

the Statutory Commission. He argued, "Separate schools for the Depressed Classes should not be the rule but should only be started in places where boys of the Depressed Classes are not likely to be treated with that regard for their welfare which they have a right to expect at least from the teachers."[24]

The reservation of jobs for the Scheduled Castes in government service came as an incidental benefit from the efforts of the non-Brahmins. The Communal GO introduced in the Madras Legislative Assembly in 1922, allotting government jobs on a communal basis, included the untouchables in the category Backward Classes — which itself was part of a residual category. The residual category was assigned one out of every 12 posts. The Communal GO exposed the stepmotherly treatment of the Justice party towards the untouchables, and aroused the indignation of untouchable leaders. M C Rajah, the president of the Depressed Classes Association, broke off from the Justice party. The appointments made under the Communal GO benefited the Scheduled Castes the least. Even the Indian Christians — including a large number of converts from among the untouchables — had bagged around 8 per cent of the posts in all categories between 1930 and 1940. The Scheduled Castes, in contrast, could corner less than one-half of one per cent of the posts. By 1947, when the Communal GO was revised, the untouchables — now categorised as Harijans — managed to fare better, having been allotted 2 out of every 14 posts.[25] Even though the Justice party did little to advance the cause of the untouchables in the matter of employment, they picked up the notion of self-respect from the non-Brahmin leaders. The Justice party leaders in fact exhorted the untouchables to cultivate self-respect. K V Reddi Nayudu once remarked: "Remember this. You can never rise in the estimation of the world until you exercise a sense of self-respect. Then of course, there are other things. You must insist upon getting free education for your children up to a certain standard, proper wages, and being treated freely and squarely by those who might employ you. If these things are properly attended to, I am certain that in a very short time your position will be much better than it is now."[26]

Political representation is another major area in which the Scheduled Castes have received separate treatment since 1919. The implications of this policy for the relation between the Scheduled Castes and caste Hindus have been the subject of national debate. The arguments on both sides of the question are too well known to bear repetition. Briefly, the cleavage has been between those who argue that the Scheduled Castes would have no chance of coming up unless treated preferentially and those who hold that the significant thing is a change of heart among the upper castes.

It would be simplistic to suggest that missionary activity, Brahmo social reform, or protective legislation, unequivocally enhanced the seclusion of the Scheduled Castes from the rest of the population. Christianity — at least in theory — denied caste distinctions. Brahmo reformers sought for the Scheduled Castes a respectable place in Hindu society. The objective of protective legislation, similarly, has been to pave the way for equality of status among the different castes.

The assumption has all along been that the polluting condition and low secular status of the Scheduled Castes reinforce their present condition. Apart from the laws banning the practice of untouchability — which are far ahead of social reality and may never be fully implemented — the primary targets of attack have been certain factors contributing to their *secular* condition. The expectation has been that a higher secular status would eventually raise their ritual status. It is too early to say whether this expectation has been borne out, and it is debatable whether the latter would at all follow the former. Gandhiji firmly believed that only a change of heart among the upper castes can rid the lowest castes of their stigma. The long run aside, the provision of scholarships, reservation of seats in educational institutions and legislatures, and special allocation of jobs, have served to reinforce the separate identity of these castes rather than integrate them with the rest of the society.

Notes

[This paper is based on data collected for an M Litt thesis. The author is thankful to Andre Beteille who supervised this research.]

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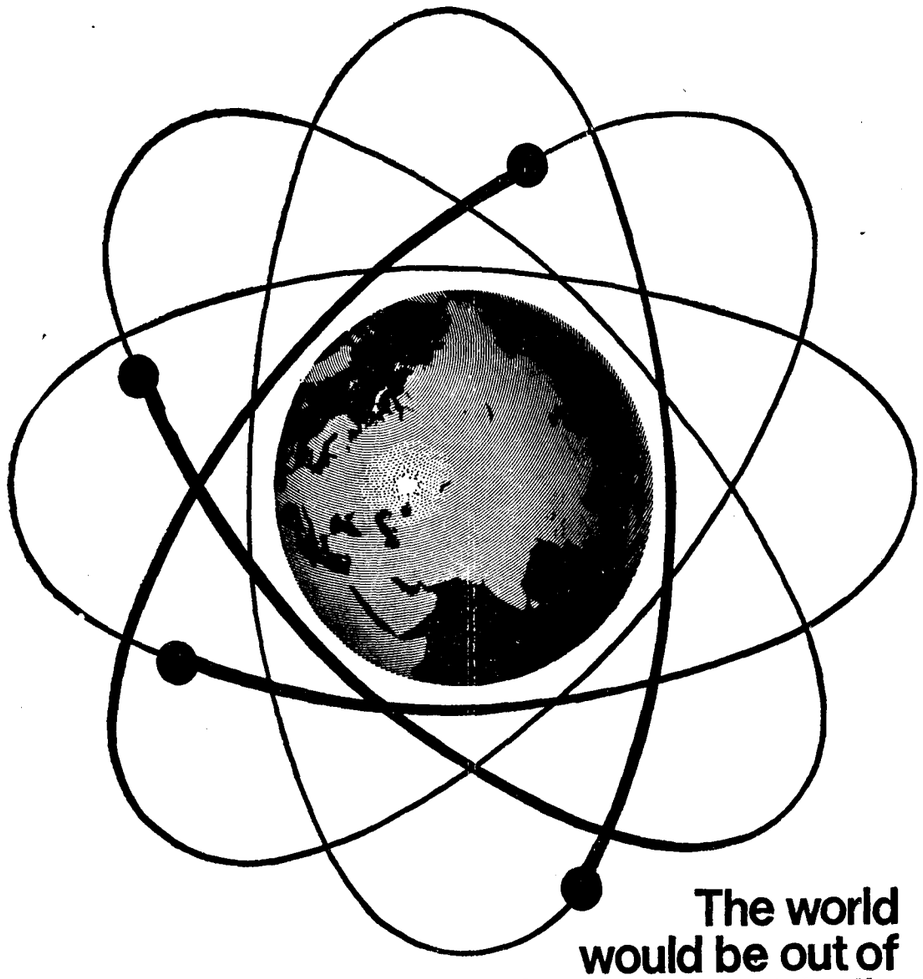
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Sticky Fingers

THE Congress party's technique for saying one thing in public and doing precisely the opposite can be seen to advantage once again in the current discussion in the party on the subject of reducing the influence of money in elections. The party leaders are apparently very much exercised over this issue, but the actions through which they have chosen to give expression to their concern have been strange indeed.

The first of these acts was the ordinance issued last month to nullify the Supreme Court's judgment unseating a Congress MP from Delhi. The Court had found that the expenditure incurred by the MP in question personally, taken together with that incurred on his behalf by the Congress party, far exceeded the limit set by the Representation of the People's Act, 1951. The government's ordinance came to the rescue of the unseated MP — as well as of a large number of other MPs whose elections would certainly have been set aside on the same grounds — by simply laying down that "notwithstanding any judgment or order or decision of any court", expenditure "incurred or authorised" in connection with the election of a candidate by "a political party or by any other association or body of persons or by any individual (other than the candidate or his election agent)" would be ignored in determining whether the candidate's election expenses are within the legally permissible limits.

This, rather curious, attempt to reduce the influence of money in elections by re-defining election expenditure is to be followed now by an even curiouser move. The government is reported to have decided to revoke the ban, imposed some years ago, on donations by companies to political parties. The subject was discussed by the political affairs committee of the Union Cabinet and by the Congress Parliamentary Party which met last Wednesday to consider changes in the electoral system to eliminate the influence of money power in elections. Speakers at the latter meeting, without exception, raged at the corrupting influence of money; yet all of them supported the move to scrap the ban on donations by companies to political parties. Some went even further. According to newspaper reports, one speaker, who has the reputation of being a radical among Congress MPs, actually suggested that companies should be allowed "income-tax rebate for contributions to political parties even upto 100 per cent"! In other words, companies must not only be allowed to contribute to the funds of political parties, they must be *induced* to do so. Indeed, what better way could there be of ridding the political process of the influence of money. (This may even be seen as a typical Congress twist to the idea that the election expenses of political parties should be financed out of contributions from the State, since a tax rebate would mean that a part of the donation by a company to a political party would in effect come from government revenues!)

The legal ban on company donation has not, it is true, materially affected the flow of funds from business and industry to lubricate the political system. The under-the-counter flow has continued, through the medium of intermediaries like selling agents. Political parties and politicians have thus secured a juicy cut out of the premiums commanded by goods in short supply like cement and paper. The sugar industry, as is well known, made its own considerable contribution to safeguarding democracy in UP during last year's elections there. Nor have companies had much difficulty in circumventing the legal ban on donations and openly making funds available to political parties. There is even now nothing to stop them from making handsome donations to institutions, set up as front organisations for precisely this purpose by political parties and politicians. They are also free to advertise in journals and souvenirs brought out by political parties. Few copies of these journals and souvenirs may see the light of day, but that does not stop many companies from spending more on such advertising than on advertising of the conventional kind. For instance, a textile company belonging to one of the large houses lavished Rs 12 lakhs on political 'advertising' last year.

To round off these efforts, the Prime Minister has now set up a nine-member committee to suggest electoral reforms and steps to eliminate the influence of money in elections. It need surprise no one that prominent among the members of the committee are some of those whose position in the Congress party rests solely on their role as contact men with industrialists and businessmen. It is a notice on what may be expected of the committee that, just a few days ago, one of the members of the committee had said at a meeting of the consultative committee of parliament attached to the Law Ministry that political parties should be left free to spend as much money on elections as they considered necessary.

Government's Finances

Mounting Deficit

MINISTERS in this country are able to give solemn assurances in Parliament and then quietly forget about them. One such assurance relates to the amount of deficit financing by the Centre in 1974-75. Faced with an apparently uncontrollable inflationary situation, the Union Finance Minister had repeatedly assured the country that the level of deficit financing in the current fiscal year would not exceed the budgeted figure of Rs 126 crores. In the supplementary budget there was a tacit admission that the deficit might go up to Rs 325 crores, despite a massive tax effort of Rs 720 crores and a cutback of Rs 200 crores in Plan and non-Plan expenditure. In early October a Finance Ministry spokesman had discounted reports that the Centre's deficit had risen to Rs 656 crores as on September 13 by referring to the level of net reserve Bank credit to the government which was said to be lower. It was also argued on behalf of the government that the Centre's budgetary position would improve from mid-October onward with the normal flow of funds from the states on account of repayment of Central loans and payment of interest.

The government's position on both these points was questionable. The deficit of Rs 656 crores as on September 13 referred to the concept of the budgetary deficit as used by the government itself. Deficit financing at the Centre is defined as the total of (i) increase in the outstandings of treasury bills and (ii) decrease in the government's cash balances. It was irrelevant, therefore, to refer to the figure of net Reserve Bank credit to the government. In any case, the figure of net Reserve Bank credit to government happened to be low in September only because a large part of the increase in outstanding treasury bills was then held by commercial banks and possibly state governments. This was, however, a seasonal and temporary phenomenon. Once the treasury bills got discounted with the Reserve Bank, the figure of net Reserve Bank credit to the government was bound to go up. On the question of the possibility of a striking improvement in the finances of the Central government after mid-October, it had been pointed out that against the flow of receipts from the states to the Centre there would be pressures for more funds from states which have been affected by droughts and floods.

In the event, the improvement in the Centre's finances expected by the Finance Ministry has not come about. At the same time, the figure of net Reserve Bank credit to the government has begun to pick up very sharply. Thus the Centre's deficit had touched Rs 954 crores on November 15. Treasury bills outstandings had increased by Rs 778 crores from Rs 4,384 crores at end-March to Rs 5,162 crores on November 15. Besides, the Centre had drawn down its balances to the tune of Rs 176 crores.

Net Reserve Bank credit to the government has also been rising. Upto November 1, the increase in net Reserve Bank credit to the government had worked out to Rs 393 crores, against Rs 816 crores during the corresponding period of the last fiscal year. However, by November 15, the figure had risen to Rs 635 crores (against Rs 846 crores last year), suggesting that treasury bills held by commercial banks and others were finding their way to the Reserve Bank through discounting and purchases. This is partly evident from the fact that the other banks' net credit to the government had come down from Rs 401 crores as on November 1 to Rs 367 crores as on November 15.

The expansionary impact of government borrowing is getting reflected in terms of money supply also. Upto November 1, money supply had grown by Rs 195 crores (or by 1.8 per cent) against Rs 581 crores (or 6.2 per cent) in the corresponding period last year. However, as on November 15, the increase in money supply stood at Rs 353 crores (or 3.3 per cent) against Rs 635 crores (or 6.7 per cent) last year.

With deficit financing already at Rs 954 crores i e, almost the same level as last year, Treasury Bills held outside the banking system will find their way to the Reserve Bank and swell the monetary expansion in the coming months. Despite the substantial budgetary support derived from fortuitous developments such as the spurt in sugar exports, the deficit this year is unlikely to be less than Rs 750 to Rs 800 crores.

Capital Market

Support for Strong

TRENDS in capital issues in the three years from 1971 to 1973 are discussed in an article in the latest issue of the Reserve Bank of India *Bulletin*. Capital issues are analysed security-wise, size-wise and industry-wise. Also analysed are issue of new and existing companies and for different purposes such as new projects, expansion/diversification/renovation, raising Indian participation, etc. The study further examines the cost of projects for which fresh share capital is being raised and the proposed sources of finance. The second part of the study, relating to the details of the amount offered to the public, underwriting by various agencies, public response and cost of raising capital is particularly interesting.

This study, together with the earlier ones in the series and other corroborative evidence, brings out certain unhealthy trends in the capital market, observed almost continuously since the beginning of the Plan holiday in 1966-67. First, the quantum of share capital, particularly equity capital, raised from the market has been low, even allowing for the stagnation in industrial investment in the private sector. This has been the result of easy availability of loan capital from the term-financing institutions at attractive rates of interest. Secondly, the concentration of share ownership appears to have increased over these years. This is reflected particularly in the sizeable increase in bonus issues, which was facilitated by the removal of the tax on bonus shares. Thirdly, assistance extended by the term-financing institutions in raising fresh capital from the market, particularly in the form of underwriting, has been weighted in favour of large companies. The Reserve Bank study makes a pointed reference to this. Lastly, companies have increased their patronage to brokers and financial companies in the form of larger underwriting commission and brokerage, as a result of which the average cost of issue of capital has risen sharply. Understandably, there has also occurred a proliferation of financial and investment companies.

During the five-year period 1961 to 1965, the average number of companies issuing capital was as high as 125 per year. The peak number was 160 in 1961 and 156 in 1962. In the next quinquennium (1966 to 1970), the average dropped to 89 companies and the peak was 97 in 1967. The peak levels reached in the earlier period were not surpassed even in 1972 and 1973 when there occurred some improvement in capital issues. The number of companies issuing capital was 78 in 1971, 104 in 1972 and 145 in 1973. In terms of the amount of capital issued, ordinary shares

averaged Rs 52.4 crores during 1961-65 and Rs 34.4 crores in the next five-year period. The peak level of ordinary shares issued was Rs 65.4 crores in 1964. This amount has not been equalled in the last decade. If the private corporate sector had experienced normal growth, the annual issue of equity capital should have been around Rs 100 crores now, whereas in fact it was only Rs 62.7 crores in 1973.

During the same period there has occurred an enormous increase in direct assistance by term-financing institutions from about Rs 108 crores in 1965-66 to Rs 253 crores in 1973-74. The amount of such assistance has been consistently rising since 1968-69, while the supporting share capital has not risen commensurately. For instance, in 1971 the equity capital raised was Rs 34.8 crores but there was an increase of 27 per cent or Rs 53 crores in disbursements under direct assistance by the term-financing institutions. Similarly, in 1973, equity capital raised declined from Rs 69.9 crores in 1972 to Rs 62.7 crores but disbursement of assistance is estimated to have increased from Rs 199 crores in 1972-73 to Rs 274 crores in 1973-74. On the whole, the large and increasing dependence of the private corporate sector on assistance from the public sector term-financing institutions is established beyond doubt. It is also known that much of this assistance goes to the bigger companies.

The Reserve Bank study is quite categoric that the underwriting support of the financial institutions also goes to the larger companies. For the first time a number of small companies entered the capital market in 1973. But the term-financing institutions shied away from underwriting their public issue. As the study puts it: "All the financial institutions together provided underwriting support to the extent of only 43 per cent against 62 per cent in 1972. To that extent the financial institutions do not seem to be playing adequately the role expected of them. One of the important objectives in setting up these institutions was to encourage new/small enterprises/companies whose capital issues may not be attractive to the general public on their own".

The increasing reliance on assistance from the public sector financial institutions has come in the way of dispersal of share ownership in the private corporate sector. The growth of concentration of share ownership is indirectly reflected in the quantum of bonus issues in recent years. The proliferation of bonus issues has been marked since 1966 after the abolition of the 12.5 per cent bonus issues tax and the notional capital gains tax on bonus shares. The average amount of bonus issues consented to by the Controller of Capital Issues was Rs 8.8 crores per year in the five-year period 1961-65, but during 1966-70 it was Rs 49.6 crores. In the subsequent years such consents amounted to Rs 36 crores in 1971, Rs 32.1 crores in 1972 and Rs 50.8 crores in 1973.

Lastly, the average cost of raising capital from the market was 3.4 per cent in 1971 and 3.8 per cent in 1972 but rose to 5.6 per cent in 1973. The study argues that besides the general increase in the cost of servicing capital issues in 1973, this was in part explained by a large number of small-sized issues during the year which perforce involved higher cost per unit of capital issued. However, it is also likely that the trend reflects the tendency among the large industrial houses to incorporate financial companies and drain out funds from bigger companies in the form of commissions and brokerage. Thus the number of financial companies (including banking companies) issuing capital rarely used to exceed 2 or 3 a year. In 1972 and 1973, however, as many as 12 and 10 financial companies, respectively, came to the market for fresh capital. The use of financial companies by business houses and groups to siphon funds from companies under their control needs to be curbed by the government.

Election Expenses

Come, Be Corrupt with Me

IN a certain sense, Indira Gandhi could not be more right. The crisis of morality currently afflicting the nation cannot be solved in a piecemeal manner. The dissolution of the state Assembly in Gujarat made no qualitative difference to the situation. The dissolution of the Assembly in Bihar would also not affect the face of reality: a skirmish would have been won and lost, but none of the underlying issues would be nearer solution. If the syllogism is to be advanced only upto this point, the Prime Minister is right and Jayaprakash Narayan's judgment is wrong. She is on relatively firm ground, too, when she maintains that JP's concept of a partyless democracy appears to be altogether nebulous. In a supposedly partyless hegemony, a certain collection of people will yet have to come together and administer the affairs of the nation. As long as the material/economic base and the ideological/cultural superstructure is such that human minds continue to think in terms of only self-interest, formation of interest groups will be inevitable: Those who run the administration will commit mistakes, or arrange things in their own favour, others will point these out; soon, egos and interests will clash; from then on frictions will arise and, give or take an interval of time, the new political arrangement will begin to resemble the old one. The utopia Jayaprakash Narayan has in mind can hardly come to bloom in today's cynical world; indeed, the danger is that, once it is convincingly served as a remedy for the pervasive malaise gripping the nation, mailorder opportunities can use it to have a whole untutored populace play into their hands.

Even admitting that she is right, however, what counterpoint has Indira Gandhi to offer? The justification, for example, she has advanced in support of the ordinance nullifying the Supreme Court's judgment relating to election expenses has a frightening implication. If the ordinance had not been issued, she is reported to have told the Congress Parliamentary Party, not only would men belonging to her own party have suffered, even a number of MPs belonging to the opposition would have lost their seats, for election petitions were also pending against several of them. By thus formulating the rationale of her decision, the Prime Minister was admitting to, as well as issuing an open invitation to, political corruption. The Supreme Court's views in this particular matter were unambiguous. It pointed out that, not to take into account the expenses incurred by a party on behalf of a particular candidate amounts to flouting the spirit of the Representation of the Peoples Act, opening the floodgate for indiscriminate expenditure, and paving the way for the incursion of untrammelled money power into the political arena. This, in turn, becomes the precursor for widespread corruption, the coruption which is now corroding the very foundations of the nation. The Court's judgment provided a major opportunity for turning over a new leaf and initiating a new morality in the country. True, of the one hundred fifty and odd petitions that were pending, close to four-fifths were against members of the ruling party. True, one of the petitions was against the Prime Minister herself. Indeed, but for ordinance, many of the MPs might have been unseated and a period of parliamentary confusion ensued.

Nevertheless, a crisis of this nature

could have had a cathartic effect on the political system. The Prime Minister, if she were anxious enough — as she claims she is — to to get the nation out of the present quagmire, could have used the occasion to go to the people. She could have approached the electorate in an open manner and, as a result, perhaps a different kind of emotion could have been sparked off.

Of course, that is not to be. Instead, the Prime Minister bases herself upon gross arguments, and pitches her appeal to the instinct or narrow self-aggrandisement among members of the opposition. It needs a certain imagination to strike a bold new path. It needs a certain stock of candidness too. The Prime Minister has obviously decided that such candidness is not for her, nor for her party. She justifies the conduct of her government in the manner of a petty lawyer. She solicits the support of the opposition for the ordinance by throwing out the hint that they too would be equal beneficiaries from the immorality latent in it. It is such calculations and motivations that make the situation so much more tragic, not just the bare statistics of corruption. Individual acts of corruption are mere symptoms, the malady lies in the ethics that is now firmly implanted, and the economic soil that breeds it. By now, the Prime Minister perhaps even fails to see the distinction between the symptom and the malady. The rest of the talk of how many smugglers have been put away would seem to be totally spurious in such a context.

Aid

The New Givers

THE oil exporting countries have managed to resist the pleas of the underdeveloped oil importing countries that they be charged lower prices for oil compared to the industrialised countries. Instead, the oil exporters have sought to mollify the poor countries by offering them aid and credit. It is understandable that the oil exporters should be disinclined to accept a dual pricing system for oil. First, once differential pricing is accepted on the basis of certain considerations, such as the poverty of the importing countries, pressures might build up for reducing the price of oil on the basis of other considerations and this could be used by the industrialised countrits to create divisions among the oil exporters. Second, bilateral economic aid would give the oil exporters much greater leverage with the importing poor countries than what they would have once the principle of lower prices for a particular group of countries is accepted. The quantum and terms of aid and credit can be varied to suit the political, religious, military or economic factors influencing the oil exporting countries' attitude to particular importing countries. The grand reception given to the Shah of Iran by the Government of India, despite the Indian suspicions about Iran's role in the Indo-Pakistani wars, is significant in this context. Thirdly, the offers of aid have helped the oil exporting countries to win international support in facing the covert threats, including those of forcible take-over of their oilfields, by the United States and other powerful oil importers.

That the oil exporters are playing the aid game with considerable diplomatic skill can be seen from the fact that it is not they but the Organisation for Economic Co-operation and Development (OECD), representing the industrially developed countries, which has taken the trouble of compiling and releasing information about the flow of economic aid from the oil exporting countries to the developing countries. According to the OECD's figures, official assistance by the oil exporting countries to the developing countries in the first nine months of 1974 amounted to $ 8.6 billion. This was in addition to the $ 3.1 billion made available by them to the IMF's oil facility and the $ 1 billion loaned to the World Bank. These figures are quite impressive in comparison with those of aid extended by the members of the Development Assistance Committee (DAC) sponsored by the majority of the OECD members. Total development assistance extended by the DAC countries in the whole of 1973 amounted to rather less than $ 12 billion. This figure includes bilateral assistance, official export credits as well as aid extended through the international development financing bodies like the World Bank and the Asian Development Bank.

Of the assistance of $ 8.2 billion extended by the oil exporting countries, $ 6.2 billion consisted of bilateral commitments and $ 2.4 billion of multilateral aid. About $ 2.1 billion, or one-third of the bilateral assistance, went to the developing countries worst affected by the steep rise in oil prices. About $ 3.9 billion was in the form of non-project assistance and $ 2.3 billion was given as project assistance. The largest donors, in terms of bilateral commitments, have been Iran ($ 2.8 billion) and Saudi Arabia ($ 2.4 billion). Multilateral assistance comprised $ 900 million to the Islamic Development Bank $ 500 million to the Inter-American Development Bank, $ 250 million to the Arab Bank for Africa, $ 200 million to the Special Arab Fund for Africa, $ 150 million to the UN Emergency Fund and $ 150 million to the OPEC Development Fund.

India has received a total of $ 900 million from Iran. Of this, $ 500 million is for import of crude over a period of five years and is to be repaid during the next five years at 2.5 per cent per annum interest. In August this year Iran also agreed to provide $400 million of untied credit to India Iran is reported to have agreed in principle to extending aid to India for an iron ore project, for expansion of a refinery and for the establishment of a joint shipping line. The other oil exporting country which has given sizable aid to India is Iraq. In March last Iraq signed an agreement for the sale of 2 mn tonnes of oil to India, of which almost one-half is to be financed by a $ 100-110 mn of credit at 2.5 per cent interest to be repaid over 10 years with a five-year grace period. It is an interesting fact that none of the Arab oil exporting countries, other than Iraq, has shown much interest in India.

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

Calcutta Diary

A M

ONCE upon a time, it was possible to lay claims to having friends in the CPI. They would not often agree with your formulation, you would often not agree with their formulation, but you would still meet, argue, try to understand one another's point of view. Often, they would violently disagree with your position, and you with theirs; the dialogue would still be kept going. You do not meet them any more; you have been cast out. These are days of instant judgments and instant invectives; friends in the CPI, presumably because of Central directives, would henceforth refuse to recognise you; the decision has been taken, you now belong to the camp of the enemy, you have to be destroyed. Anything is fair in love and war. This is war. Those who are not with them are against them. You are not for them; *ergo*, you are against them. It being a matter of life and death, you have to be called the vilest of names and, if possible, wiped out.

So there it is. And why be mushily sentimental, either, about such a *denouement*? To attempt to destroy someone who is, objectively speaking, harming your cause and who, in addition, is considered to be altogether unsalvageable, is accepted radical practice. There is, so to speak, nothing personal about it. Dogs have to be given bad names. It is a matter of life and death, what is involved is the survival of your ideal and ideology.

Is it really? Does the survival of the socialist cause in India depend upon the liquidation of fundamental rights, under the auspices of a narrow cabal operating from New Delhi? It is not even twenty-five years since the early 1950s, when civil liberties committees proliferated around the country, with communists of all hues — including those who billet in Ajoy Bhavan today — very much their principal functionaries. How jealously they used to plead for civil liberties and fundamental rights! One still remembers the occasion when a High Court judge in Calcutta became a hero with the communists, because he refused to be bullied by the brandishings of B C Roy and let go of some political prisoners who were being held under a preventive detention order which violated elementary principles of the so-called rule of law. Friends in the CPI would perhaps squirm if reminded of those libertine years. Or, would they snarl back and tell you that there is hardly any basis for comparison, that there could be no fundamental rights for smugglers? But, since none amongst us was born yesterday, cannot one ask: who is to decide who is a 'smuggler'? Your neighbourly policeman, the noted blackmarketeer who has been elected to Parliament or the state Assembly on the ruling party's ticket and with the CPI's support, the comfortably placed rural oligarch who is casting covetous eyes on your relatively lush one-acre plot? Friends in the CPI are not dumb dolls, they are acquainted with the facts, they know how many thousands have been picked up, under what pretext, and are being kept indefinitely in detention without trial; they also know how many smugglers are included in this lot. They must be as aware as the housewife next door that, if the authorities are really determined to keep in prison a certain number of people for an indefinite period, they could do so even under our ordinary legal procedures, and nothing could be done about it. Indian smugglers are not *sui generis*: the tribe is not specific to this great land; in other countries, smugglers have been taken care of without breaching the fundamental rights of citizens.

But then there could be a party mandate, and no CPI functionary or cadre would like to come forward to discuss such issues with you: they would rather be dead than seen in the company of 'reactionaries' and 'adventurists'. So one can only continue to speculate. For instance, could it be that they honestly think the class character of the Indian State has undergone a sea change — so much so, that slogans and programmes belonging to a quarter of a century ago have ceased to be relevant and normal civil liberties too could be dispensed with? Has a stray Indo-Soviet Friendship Treaty been the clincher — the indubitable evidence of a shift in the class character of the ruling party? How does one decide whether such a shift has or has not taken place? Are the Indian masses subjected to a lesser order of exploitation than they were, say, in the early 1950s? Is the working class breathing a freer air or enjoying a higher level of real wages? In the countryside, is the concentration of land holdings less acute than in the past, the plight of the landless and small farmers — in absolute as well as relative terms — better, the burden of usury and indebtedness any lower? Has the monopoly power exerted by the capitalist-landlord elements declined over the decades? Is the use of State machinery for suppressing the desires and aspirations of ordinary people abated, even marginally, in the course of the years? Has the proportion of the population below the so-called poverty line gone down? Has literacy improved? Do the downtrodden communities feel any more secure and assured of their place under the sun than they felt a quarter of a century ago? What is it, then, that makes friends in the CPI so spell-bound? Is a single Indo-Soviet Friendship Treaty by itself capable of transforming the reality of domestic class alignments?

Or does the attraction lie in the radicalisation of the ruling party's slogans? Yet none knows better than CPI cadres that, barring the invectives addressed to the Jewry, the bulk of the rest of the programme of the Nationalist Socialist Party in Hindenburg's Germany had an equally catchy lilt; that, however, hardly helped the German working class from near-total annihilation once that lance-corporal from across the border took charge. Or is the muteness in CPI quarters the outcome of another phenomenon, namely, the fact that several of its former enthusiasts are now a part of the ruling establishment? Does the presence of a Raghunath Reddy or a Chandrajit Yadav, or, for that matter, a Durga Prasad Dhar, or a Keshav Dev Malaviya expiate for all the horrendous happenings, for the murders in cold blood of thousands of young communist cadres who were often flesh of the flesh of many CPI functionaries themselves, for the torture and beatings inside prison as well as outside for the massive terrorisation of the people in areas previously dominated by the Left, for the general brutalisation of the forces of law and order, for the galloping inflation which is immiserising at a frighteningly rapid pace the nation's vast majority, for the insensate persecution of railwaymen and other members of the working class, for the greatly accentuated exploitation of the peasantry? It would be a queer piece of ideological sophistry, indeed, if the class character of a ruling junta were to be determined by the existence or otherwise of a bunch of names in a particular list. At a certain point of history (who does not remember?) Benito Mussolini belonged to the same party as Antonio Gramsci. It did not make the least difference to Mussolini's subsequent style of operations.

Or is it the spectre of Jayaprakash Narayan that is haunting the CPI? Jayaprakash Narayan, laying claim to the same constituency in Aryavarta

which till now was the bailiwick of Indira Gandhi; Jayaprakash Narayan doling out a concoction of utopia and mishmash nearly identical with somebody else's speciality? But what makes Jayaprakash Narayan a greater menace than those currently in authority? The conviction that the local reactionaries are solidly in league wih him? The suspicion that the Americans are secretly behind him? Could it not be the other way round, however? Sometimes you choose your friends, more often you choose your foes. Once you decide, on *a priori* grounds, to designate Jayaprakash Narayan your enemy, he *becomes* your adversary; willy nilly, he then has to turn toward thine sworn enemies for support and succour.

They will not be seen dead with you any more, those erstwhile friends belonging to the CPI. A man is known by the company he keeps, the CPI functionaries and cadres, alike, must be under some injunction not to be seen in your company. Presumably the judgment has already been reached that you are a foreign agent, some of your friends from the CPI may genuinely believe that you are one. Still an uneasy feeling keeps nagging at you: how do their mental reflexes operate at such times? Jayaprakash Narayan may be upto no good, but what objective evidence is there that those ensconced in New Delhi are any superior to him? Suppose the *savant* of Kadam Kuan makes the right noises on international issues, he too agrees to accept an Order of Lenin, he too sings paeans of praise for the Indo-Soviet Friendship Treaty, and, having tolerated a Raj Narain, begins to suffer the buffoonery of a Dev Kanta Barooah; would all this change the CPI's assessment of the class character of his movement?

Or is the explanation even more straightforward: a known devil is to be preferred to an unknown one, a bird in hand is worth two in the bush? What, however, is this bird that the CPI is holding in its hand? Somebody knew somebody else in Oxford? Or, at a still mundaner level, the chairmanship of this or that public undertaking is occupied by a former functionary of one of those umpteen fellow-travelling outfits of yore?

CAPITAL VIEW

Consolidations and Polarisations

Romesh Thapar

AS the Opposition tries desperately to involve the Prime Minister or her family directly in the financial scandals that are sprouting by the dozen — and scores deadly hits with the allegation of the daughter-in-law's involvement in insurance commissions on Maruti — the ruling party takes to "secret" confabulations outside Delhi to settle the broad lines of economic and political development. It was believed that these winter months would be explosive, what with severe shortages of essentials and uncontrolled price spirals, but we find ourselves locked in debates and discussions about electoral reform, democratic rights, corruption and the like. And this, of course, persuades the incurable optimist that India is, in some strange ayurvedic way, on the mend.

The verbal diarrhoea from which most of our politicians suffer has reduced the secrecy of the Congress confabulations at Narora to a farce. The Congress President, a compulsive talker who has been labelled a court jester by Jayaprakash Narayan, has tried to underline the significance of the meeting. A tremendous mobilisation of the cadres is planned during the next three months, it is declared. But unofficial information suggests that the meeting was fuzzy, meaningless and leaderless.

Probably, the very cordial *tete-a-tete* between JP and some sixty Congress MPs, headed by Working Committee member Chandrasekhar, derailed the Narora Meeting which was designed to assess thinking at the higher echelons of the party. Indeed, at Narora we got another glimpse of the developing polarisation in Indian political life since the resurgence of JP and the attempt to smear him as an agent of reaction. Political amateurishness on both sides has created the strangest of situations.

JP, who was supposed to create a movement to purge the political and administrative system of its more obvious vices, has allowed himself to be used by several parties of the Opposition as an anti-Congress rallying point. Today, picture after picture on the front pages of the newspapers shows JP surrounded by familiar politicians who have little respect in the country and have been thoroughly discredited in the past. A major force behind JP, in terms of organised cadres, is the Jan Sangh. The students are performers on the periphery. But the anger of the towns has been articulated and the possibility of this anger manifesting itself more widely is at last recognised.

The Congress Party now finds itself beseiged wherever the JP wave has built. It lacks active cadres who are prepared to counter the moves of the "grand alliance" under JP. For this reason, the thesis is being propounded that the ruling party should rely on the organisational skills of the CPI to counter the Jan Sanghi flavour of the JP movement. The Patna rallies are a pointer. And the thesis creates a polarisation in the ruling party, a polarisation which is reflected in the warnings being given about communist pressures within the Congress Party. For the first time, there is serious talk about Indira Gandhi being used as a pawn by the CPI, and not the other way around. This is obviously a serious matter for Indira Gandhi and her "image" builders.

Interestingly, the attempted anti-Congress consolidation under JP and the sparking of a polarisation within the Congress on the question of its alignments with the CPI is taking place at a time when the broad guideline for policy-making is to rely more and more on the market mechanisms and private entrepreneurship. But, then, India *is* strange in the way it throws up the most contrary developments. For example, the line of the CPM in this mix of ideologies should provide a colourful decoration in the coming months.

Meanwhile, the speculation continues about the possibility of an early election. Viewed from the Prime Minister's office, the prospect of getting it over with certainly pleases. The longer the delay, the more the political complications — at least, in a period of economic confusion and stagnation. But will Indira Gandhi have the courage to admit that fresh sanctions are needed at this stage to lift the country out of its despondency and despair? Or will she put her faith in the rains of 1975?

Alas, even before we have begun to get our teeth into a host of problems, we are in fact being pushed into election manoeuvrings. Within six months, if the normal schedules are observed, we will be in the mess of fund-raising, ticketeering, gangsterism and counter-gangsterism. The parliamentary process, as it has flowered in India, is now a major obstacle to economic growth and political health. This same process has also damaged many other more advanced nations. Clearly, the social and economic conditions which prevail today have outstripped the political system.

When we realise this core fact, we might shift our attention to the urgent re-structuring of the political system. JP could have helped, but then that was not to be. Another opportunity missed.

November 25

COMPANIES

Record Profits

Hansavivek

MODI SPINNING AND WEAVING's gross profit rose by 70 per cent in the year-ended April 30, to a new peak in the 28 years of the company's existence. This was achieved following only a 29 per cent increase in sales. The directors attribute the substantial widening of margins to product development and introduction of products in new markets at home and abroad. The management feels that in the coming years a substantial amount will have to be invested in research and development to achieve still greater efficiency and profitability. Equity dividend had to be lowered to 10 per cent on the enlarged capital from 12 per cent paid for the previous year on account of the government restrictions on dividends. The payment is covered over 3.4 times by earnings. Inventories in relation to sales increased over the year. Exports jumped from Rs 66 lakhs to Rs 158 lakhs and efforts are being made to further increase them. The value of imported raw materials consumed by the company, however, aggregated Rs 224 lakhs. In addition, expenditure in foreign currency on account of commission, travelling, royalty, etc, amounted to over Rs 5 lakhs. The CIF value of imports of raw materials was about Rs 45 lakhs and that of spare parts Rs 7 lakhs. The company continued to pursue its policy of modernisation, renovation and expansion of plant and machinery and spent about Rs 88 lakhs on this account. Notes appended to accounts reveal that the company incurred an expenditure of about Rs 12 lakhs on advertisements in brochures of political parties.

Having experienced severe power shortage, the company installed a generating set and four boilers to run the turbines at the factory premises. It has also entered into an agreement with Modi Industries, Modipon and Modi Rubber, sister concerns, to jointly own three old turbogenerating sets installed at Harduganj thermal power station, Kasimpur. The company will share in equal proportion the cost of these sets and the expenditure to be incurred on putting them into running condition and will be entitled to an equal share of electrical energy produced at cost. The electricity generated from its own generating set at Modinagar, coupled with that available from the Kasimpur plant is expected to adequately cover the shortage. The company has given an imported generating set, which was not immediately required, to Modi Industries to be in-

The Week's Companies (Rs in Lakhs)

	Modi Spg		Premier Tyres		Morarjee Goculdas		Seshasayee Paper	
	Latest Year 30-4-74	Last Year 30-4-73	Latest Year* 30-6-74	Last Year 31-3-73	Latest Year 30-6-74	Last Year 30-6-73	Latest Year 31-3-74	Last Year 31-3-73
Paid-up capital	368	276	230	200	204	204	350	350
Reserves	367	370	348	170	194	161	363	251
Borrowings	860	752	234	166	407	256	222	364
of which Term Borrowings	142	162	33	20	—	—	198	251
Gross fixed assets	1575	1490	506	453	881	820	1277	1267
Net fixed assets	791	780	163	191	472	460	738	797
Investments	61	51	2	2	16	5	24	20
Current liabilities	764	441	310	138	415	338	180	119
Current assets	1489	1008	957	475	732	495	353	267
Stocks	1120	764	572	249	439	299	257	214
Book debts	215	144	344	164	289	193	65	42
Net sales	3767	2923	1634	1255	1530	1466	850	705
Other income	50	35	18	4	48	40	10	8
Raw material costs	2036	1545	1147	827	645	579	138	132
Wages	527	418	182	112	305	286	139	98
Interest	79	78	38	24	48	38	34	36
Gross profit (+)/loss(—)	414	244	316	179	203	150	224	144
Depreciation provision	78	78	81	42	49	46	70	66
Tax provision	216	100	154	95	80	58	—	—
Net profit (+)/loss(—)	120	66	81	42	74	46	154	78
Development rebate provision	7	21	7	2	11	6	81	31
Transfer to reserves	77	14	49	14	41	9	31	5
Dividend								
Amount	P 4 E 32	4 27	P 5 E 20	4 22	P 1 E 21	1 30	E 42	42
Rate (per cent)	P 9.5 E 10	9.5 12	P8.45 E 11	8.45 15	P6.43 E11.50	6.43 16	E 12	12
Cover (*times*)	3.41	1.52	3.45	1.64	2.95	1.30	1.74	1.12
Ratios (per cent)								
Gross profit/sales	10.99	8.34	19.34	14.26	13.27	10.23	26.35	20.42
Net profit/capital employed	7.52	4.72	9.97	7.84	9.19	7.41	16.47	8.08
Inventories/sales	29.73	26.13	35.01	19.84	28.69	20.39	30.23	30.35
Wages/sales	13.98	144.29	14.29	8.92	19.93	19.51	16.35	13.90

* 15 months

terchanged with one to be imported by the latter. The Central excise department raised excise duty demand of about Rs 4 lakhs on clearance of 'rags' pertaining to the period from September 1, 1971 to February 29, 1972, treating them as 'fresh cloth'. This amount has been provided for in full in the accounts, but the company has filed appeals against the orders and obtained stay of demand.

PREMIER TYRES has installed imported machinery for increasing scooter tyre production. It has also imported machinery to step up production capacity of heavy service tyres and tubes by 50,000 tyres per annum by obtaining a further foreign exchange sub-loan of Rs 21 lakhs from ICICI. To increase production further by 1,30,000 tyres, the company has secured import licence for Rs 118 lakhs and a rupee payment import licence for Rs 27 lakhs. Orders have been placed under these licences. In addition, a 'letter of intent' has been received to manufacture annually 2,500 tonnes camel back and repair materials. During the 15 months ended June 1974, Premier's production of automotive tyres was 4.25 lakhs and of automotive tubes 4.29 lakhs against 3.40 lakhs and 3.28 lakhs, respectively, produced in the preceding 12 months. The licensed and installed capacities were 6 lakhs and 4 lakhs each, respectively. Gross profit rose by about 77 per cent, following a 30 per cent increase in sales, although both wages and inventories in relation to sales were considerably higher compared to the previous year. Because of restrictions on payment of dividends, equity distribution was lower by 4 points at 11 per cent. Earnings in foreign exchange on account of export sales amounted to Rs 34 lakhs, but value of imports of raw materials, components and spare parts and capital goods aggregated Rs 48 lakhs.

MORARJEE GOCULDAS SPINNING AND WEAVING fared better during 1973-74, although in the second half the company had to contend with a 42-day general strike in the industry, increase in costs of all inputs, financial stringency and increased cost of borrowing. Besides, the obligation to manufacture controlled cloth was increased from 24 to 30 per cent from October last. What helped the company in this situation, according to directors, was the introduction of new varieties of cloth and innovations in processing and increased maufacture of blended varieties. Although net sales were only 4 per cent higher, gross profit leapt by 35 per cent, reflecting widening of margins. These results have been achieved after providing Rs 10 lakhs for additional bonus for earlier years and Rs 4 lakhs for donations. Borrowings increased considerably and the ratio of inventories to sales was markedly higher compared to the yast year. The company spent Rs 58 lakhs on additions to plant and machinery and land and buildings. Its earnings in foreign exchange on account of exports amounted to Rs 83 lakhs, while consumption of imported raw materials, stores and spare parts and components aggregated Rs 80 lakhs.

SESHASAYEE PAPER AND BOARDS experienced greater rigour of power-cut during the year ended March 1974, than during the previous year; but it produced slightly more at 32,515 tonnes of paper and board against 32,284 tonnes. Although actual sales were a shade lower at 32,245 tonnes against 32,255 tonnes previously, net turnover advanced by over 20 per cent and gross profit by over 55 per cent, even though about Rs 22 lakhs were provided for future gratuity liability. As before, there was no income-tax liability and the company has been able to keep total distribution unchanged at 12 per cent in spite of the dividend restrictions. No provision has been made for the tax liability of Rs 16 lakhs for 1970-71, which has resulted from the disallowance of Rs 54 lakhs claimed by the company as development rebate. The company has disputed the assessment, and its appeal with the Appellate Assistant Commissioner is pending. The seigniorage in respect of pulpable wood has been fixed by the government of Tamil Nadu, on a provisional basis. Additional liability, which is not ascertainable, has also not been provided for. The company exported 215 tonnes of kraft paper to Kuwait and earned about Rs 7 lakhs in foreign exchange. Its expenditure in foreign currencies, however, amounted to Rs 17 lakhs. The state government has allotted 30,000 tonnes of hybrid eucalyptus to the company, and it expects allotment of adequate quantities in future too. The company has also been increasingly using hardwoods, in view of the depleting supply position of bamboo. It has already established use of a wide range of soft and hard woods, upto 50 per cent in the raw material furnish. The management hopes that future supplies of essential raw materials will be comfortable, as the state government is establishing a forest plantation corporation which will undertake intensive planting of pulpable and other industrial wood. The company soon expects conversion of its 'letter of intent' into an industrial licence for the proposed expansion of the plant capacity from 35,000 tonnes to 50,000 tonnes per annum of pulp, paper and board. In the meantime, various technical data are being worked out.

C PRABHUDAS, which raised capital for expansion and diversification in July 1973, has disappointed its shareholders. J P Mehta, chairman, had then confidently forecast that during 1973 production would be around 7,650 tonnes and sales Rs 267 lakhs and that the company would be in a position to pay a dividend of 12 per cent. Accounts for the 15 months ended March 1974, however, show production of galvanised and ungalvanised wires at 6,842 tonnes, including 2,002 tonnes of wires converted on a job-work basis. Sales and conversion charges together brought in Rs 148 lakhs and the outcome was a gross surplus of only Rs 5 lakhs, which after providing for depreciation and development rebate turned into a deficit of Rs 2 lakhs and raised the accumulated loss to Rs 8 lakhs. In addition, there were arrears of depreciation and development rebate amounting to Rs 5 lakhs each. Also, no provision has been made for income-tax amounting to Rs 80,545, additional demand for sales-tax amounting to Rs 42,462 and bonus amounting to Rs 66,000. A debt of about Rs 14 lakhs is due to the company by Saurashtra Iron Foundry and Steel Works in which two directors are interested. In order to meet the increased requirement of working capital, the company has approached bankers for additional credit facilities and is also considering launching on a long-term scheme of borrowing money from shareholders in the shape of recurring deposits. C D Doshi and B P Sharma, two directors, have resigned from the board. The disappointing working results are ascribed to sharp increase in cost of main raw materials and poor demand for ACSR wires which, according to the original projection, was to account for 65 per cent of the production. The company is now trying to secure export orders for wires, but the directors point out that a downward trend of prices has started in world markets and that on account of competition from China and Japan prices are going down almost every day. They, however, express the hope that the company would be in a position to pay a maiden dividend, subject to the dividend restrictions imposed by government and the sanction of bankers. The Rs 10 share, which at one stage commanded a high premium in the unofficial market, is now quoted at less than half the par value.

WEST BENGAL

A Generation Being Wiped Out

Amrita Rangaswami

IN Cooch-Behar district, in West Bengal, the paddy fields are slowly turning a mustard-yellow. The paddy stands tall — an unbroken sea. It cannot rise higher. The sight strikes fear into the hearts of the people. When the harvest begins, and it has already begun in some places, the gruel kitchens will close.

The Ras-Leela festival, heralding the harvest, has started. But if you listen carefully, under the clash of cymbals and gongs and a hundred kettledrums, you can hear it. It is so low, so polite and apologetic, so close to the ground that you can scarcely catch it. It is the last quiet moaning of someone dying.

In Calcutta, the harvest, an all-time record, is hailed with glee — "Relief Works Can Close — the Emergency Is Over", the government has declared. The government has pulled out everywhere except in Cooch-Behar and Jalpaiguri where it will continue. "By the first of December, relief will begin to taper off", officials in Cooch-Behar predict. "The government will soon declare its policy", says an official from Calcutta, camping in Jalpaiguri. On the Twentieth of November, the sanction for December had yet to come.

"The prices here have begun to fall", the minister is crooning. Officials in Cooch-Behar know that this will have no impact on the lines at the gruel centres. "These are destitutes", they declare, "even if rice is sold at four annas a kilo they cannot buy."

Wages have already fallen, on an anticipatory estimate of surplus labour. "It was around Rs 3 last year, but has now come down to Rs 1.50." The men on the gruel line are willing to offer themselves for a rupee, thirtyfive paise, a handful of paddy, but the jotedars are firm — they will not employ them. The people at the gruel centres have ceased to resemble any human, living things.

Starvation alone has not rendered them sub-human. This is a populace that is half crazed with grief. These people have been witness to the slow death by starvation of hundreds of their children. They have watched the body prey on its own flesh, scoop hollows in checks, grow billiard cues for arms and legs (the shoulder blades jutting out like the thin ends of a paddle), the hair falls from the scalp, the skull grow dome-large, fez shaped, the pupils dilate, bird-bright, the rib cage standing out, as if the child wanted to scream. "My child does not open its eyes", "will it open its eyes again", asks Kantashree at the gruel centre, near Deochirai, near Toofanganj. She shakes the infant in exasperation and fear, but the neck falls limp upon her chest. Tultulibawa with her two children, sitting on the road, with her legs stretched before her shrunken breasts exposed, has reached the last stages of emaciation. Her children look about two and three and are drowsy, weak.

"My daughter does not walk, she stopped walking about a month ago", complains Nishibala Modak on the road to Sahibganj. The daughter sitting on her hip, is ten years old. Her legs hang below, long, brittle, useless. She has lost her hair. Her cheek bones have formed a conical box. She wears a nose-ring. Nishibala Modak's husband ran away about five months ago. She has six children to support.

At the primary health centre at Dinhata, a baby sits howling, a loud vernacular "Amma", for a mother that cannot hear. At the Sahibganj gruel centre, an infant was trying to wake its mother, lying beside it. It was crying loudly, calling; the mother was ill, they said, from gastro-enteritis.

In Cooch-Behar town at 10.30 in the morning, I saw an infant die in the arms of its mother, on a public street, a hundred yards from a temple and a police outpost. The mother lying beside the child had covered her face with her hands, uttering the low moans, now so familiar. The baby died, waving spidery arms and legs, mucous and stool coming out of it, in a last spasm. Called to, the mother never answered. Later, she sat up, took the sweet offered, not even glancing at the baby.

At the main market place, in Cooch-Behar Malathi Devi sat, stubborn. Her face was waxen-yellow when she took away the hands that covered them. The dead body of her baby lay beside her. She would not leave it for the municipal sweeper. She was collecting coins for its burial.

At the Sahibganj gruel centre, there were at least three hundred children, all below six years old. One of them, clutching at a piece of bark of a banana tree, was crying. That was his gruel plate. It was past twelve in the afternoon and he was hungry. "We have to transport gruel to five/six centres from here", explains Brahmacharya Sudhir of the Ramakrishna Mission. The Sahibganj centre is served last. There are three hundred children here —they live here near the centre. They have been abandoned by their parents, it is stated. "In the Bengal Famine of 1944, the parents always died first", an official told me later.

At Kumdibari, two infants were sitting in the sun, drowsy. They could not eat any more, cry any more.

The men in the gruel line, cannot offer the gruel to their children. The children will not eat it. Cup your palms together and fill it with gum and you have a fair idea of the West Bengal government's gruel ration. A day's ration at the old British Famine Code specifications should cost the government around Rs 2 per person. The gruel costs only forty paise per person (with another 30 paise added to it for fuel and transport costs). It is less than a child's ration; 160 grammes of wheat and 60 grammes of lentils, cooked with a slice of potato and pumkin, and sauced with red chillies. A glutinous mess, it adds up when cooked 750 grammes.

"In Gujarat, we served 1,600 grammes, four or five rotis, twice a day", says Swami Lokeshwaranand of the Bharat Sevak Sangh, Ahmedabad, one of the three main agencies in charge of the government's gruel centres. "When the Bangladesh refugees came, we gave them rice, dhal and vegetables. But this is Bengal."

The number of persons affected, according to official estimates, is 3.5 lakhs. The number of persons covered by gruel centres is restricted to 50,000. At each distribution centre, roughly about 1,000 people are served. And for every 1,000 cardholders there are at least 300 with no cards. The sight of the truck loads of food drives them nearly mad. Volunteers out of pity, mix the scrapping from the drums with a little

water and serve these. "Give me a card", she cried out, shrill, insistent. "My children and I have no food." A worker at the kitchen at Putmari, beat her on her knuckles with a short stick. "Go away", he cried, "go away." Anisa-bibi will not let go of the fence to which she is clinging. "Give me a card", she shouts louder. "Her husband gets dry rations", a worker explains. "My husband left long ago", she pleads.

Koka Shaikh also begs for a card. He holds a dead minnow, impaled on a stick. "I would have caught another, but the owner drove me away." His eyes have sunk into sockets that extend from ear to ear, in a famine mask. "I have not eaten", Koka Shaikh explains, gently. "I want a card." A crowd of about fifty presses around him. "Give us cards, please give us cards." The 'Anchal' Secretary, white-shirted, mouth full of pan-juice, strolls into sight.

The gruel ration for fifty thousand is shared by at least another fifteen thousand people. And the truck comes only once a day. Sometimes it can be late.

At 2.30 in the afternoon at Patlakhava, the truck had halted, but the food had not been served. The volunteer was peering at the gruel he had offered first to a five-year old. The child was licking it, slowly.

The gruel had fermented, gone sour. "It was cooked last night at 1 o'clock" he said, a trifle apologetic. There were over a thousand people waiting. The truck returned with fresh gruel at about four-thirty in the afternoon. This time the wheat and the dhal remained stiff, half-cooked. (Two days earlier, Nipendra Sarkar, a Marxist worker, had protested and had been promptly arrested. His wife Sumati, about nineteen years old, stood there crying.)

Diarrhoea has become common among those who live on government gruel. ("They are dying of indigestion", officials say.) "The red wheat that government supplies, often goes sour", Swami Lokeshwaranand admits. He offered a sample, worm-infested, powdery ("We also got bad wheat but we returned it", said the Swami at the Ramakrishna Ashram. "We dont want the mission to get a bad name.")

The Bharat Sevak Sangh serves two of the worst affected areas, Patlakhava and Kundibari. Gruel is cooked for 12,000 people a day — rations for 10,000 from the government and for 2,000 from the mission. Cooking begins at about 2 a m and goes on till noon. Their three trucks making four trips, carry a 20 drum-load, each drum with a 40-gallon capacity. These are old tar-drums and the food is covered with a thin polythene. When the truck halts, the sheet is removed. Passing cars cover the food with dust.

"Are the people complaining?", asks Ashok Basu, Deputy Commissioner, in genuine surprise. "Why, they were dissatisfied with the Kashi Vishwanath Samithi, so we called in the Bharat Sevak Sangh."

The government would be astounded if we asked whether they could have sent out tankers of potable water with the food. No official will drink water in these parts, it is cholera-infected. Yet it has never occurred to the government to send out potable water along with the food. (In the arid states, water tankers are a regular feature of famine relief.)

Along the highway, where the people wait, there is no water, there is no shelter. And the cold winds have begun to blow from the Himalayas. Of the tens of thousands of children on the roads, not one has a garment. The men wear a small towel around the waist. The women wear a saree, perhaps, four metres, duster-thin, that barely covers them. None of them has a blouse. Many of them wear a towel around the waist and another piece of cloth over the shoulder. The government distributed some sarees, sometime after the floods, one to each person but they have cut these up and shared. And for every woman on the gruel line in a saree there must be one or two at home hiding, unclothed.

"They will now start dying of the cold", says the Deputy Commissioner flatly. "I need three and a half lakh blankets." He wants at least one blanket per family. Rs 45,000 was kindly sanctioned out of the Chief Minister's Relief Fund. But orders have come that the purchases have to be made in Calcutta. "Some more 'blankets' are coming" Chatterjee, the Joint Secretary, Relief Department, announces, at Jalpaiguri. (Do you call them blankets at seven rupees each?) "Officially the cold weather does not set in until December first."

Would they be able to build their homes before that? Nobody in the relief department thinks so. The funds for house building are so little. "We have only Rs 8.5 lakhs — to how many can we distribute it", asks one of them in despair. We have already distributed Rs 77,680, another says, adopting the customary official tone. "Cases are being processed."

They sit on the highway and wait all day long, listening to the howling in their bellies. Men, women and children, naked under the sky. (And the gruel truck will soon stop coming.)

The cannot crawl into Cooch-Behar town and take shelter in the wide verandahs of government offices. It is now forbidden. They moved in, in September, when the floods came. And they died on the railway stations and on the streets and in the doorway of government buildings. Cholera had broken out. The municipality of Cooch-Behar, it is said, ordered that the free feeding by the business community be stopped and on Gandhi Jayanti day, loaded the people in trucks and had them moved out.

Cooch-Behar with its 300-bed hospital is now out of their reach. There are another 400 beds scattered all over the district in small clinics, each equipped for about 20. Those on the highway will never reach them. "But we cannot go about and pick up the cases", argues Dr J Nath, Deputy Director of Medical Services in West Bengal, visiting Cooch-Behar. "We have no machinery for that purpose. We can only treat them, if they are admitted to the hospital."

For the whole of the district, there are about 765 beds. At the primary health centre at Dinhata, an old gentleman has been brought in, in a cycle-rickshaw. He has been picked up by local youngmen who collected money from passers-by to bring him here. One foot is swollen upto the knee. A rag is wrapped around a wound, stiff with gangrene. The gentlemen has endless patience — he sits in the rickshaw surveying the hospital in silence. "We have no facilities here, we must refer him to the General Hospital" the doctor says.

At the World Lutheran Centre at Kundibhari there are about 20 beds for infants. The infants rest on cots. There is clothing on them. "A children's hospital will soon be opened in the district" officials say.

West Bengal government officials are irritated if you tell them about relief systems in other states. "We have three categories of relief in this state", they explain. The first covered by gruel centres, the second by "gratuitous relief" (dry rations) and the third by "test relief works".

The dry ration consists of eight kilos of grain a month per person, distributed free. The test relief is for the able-bodied and only one person per family is allowed to work. But he gets a ration of 750 grammes of wheat and cash of Rs 1.25 per day.

You have to opt for one of the categories. You cannot be employed on relief works, if you accept gruel. In Maharashtra, during the famine of 1972, a thousand people on a road-work, in a metal-breaking quarry, was a common sight. In Bengal it is hard to find a man at work.

"Where are the people?" I asked at the bund-cum-road work on the banks of Gadhadhar in Toofanganj. There was none in sight — a number of pits had been dug, but no fresh earth had been turned that day. There was a young man, standing under a tree, laughing, helpless. "The people have finished for the day. They come at six in the morning and leave around ten, they only have to dig one cubic foot per day. It takes only about two hours." Measurement, they added, was taken every day and payment was made daily.

At about one-thirty that afternoon, a few "gang leaders" had gathered on the highway, to collect the payment on behalf of the workers. They held slips, duly filled in. Every man had completed the allotted task, with no exceptions. "We are not strict" the official said. We pay them full wages, regardless of the work turned out.

But why is it called "test relief"? "I don't know, it has been called that ever since I joined the service" one of them says. The term 'test relief' has been handed down from the old Famine Code. Its purpose is "not to appease hunger, but to find out if people are hungry". If the numbers on the test relief swell, the time for testing is considered past and "scarcity" is declared.

In West Bengal, since the term 'famine' has been abolished, "test relief" has become a "permanent" feature. The contrast with relief systems in other states is painful.

In the Maharashtra and Gujarat systems

(1) there is no limit on the number of persons who can be admitted on relief work; and
(2) continuity of employment is offered for the persons on the works for six to nine months.

In West Bengal (as in Andhra Pradesh) employment provided is reckoned in mandays, not in numbers on relief works. Each scheme is small and the expenditure is limited to about Rs 7,000. Only 250 persons can work on one scheme and the work is expected to be completed in about ten days. 'We cannot offer continuity in employment", Basu states. "We cover as many areas as possible, starting at least one scheme in each".

The Maharashtra and Gujarat Scarcity Manuals have both the strength and the weaknesses of the old Famine Code. In Bengal, they have made drastic changes in the system. The Manual for relief of distress, which has replaced the codes of 1919 and 1941, has, in a burst of populist fervour, transferred control of relief operations to the elected representatives of the people.

In Maharashtra and Gujarat, the collector or any of his tehsildars can sanction gratuitous relief on the spot if they fear death by starvation of the affected population. In West Bengal, the deputy commissioner has to wait for the 'local relief committees' to draw up the lists of the 'deserving'.

For every "anchel" a relief committee is formed, consisting of a convener and secretary, a paid employee of the Panchayat, the Pradhan, the MLA or his representative and two nominees of government. Ten to fifteen anchals form one block. The Block Relief Committee includes the MLA or his representative and one nominee of the government. (The MLA has no time to attend; he normally appoints his representatives to each of the committees.) The functions of the Anchal Relief Committee are:

(1) To prepare lists of people deserving gratuitous relief.
(2) To initiate list relief schemes.
(3) To arrange for distribution of gratuitous relief.
(4) To prepare lists of test relief works.

For each test relief scheme there is one paymaster and two "muharirs" who supervise the work. These are appointed by the block development officer, in consultation with the block relief committee. The block committees finalise relief schemes, select sites for tube wells, and so on.

"Until about two years ago, the deputy commissioner appointed the paymasters on the recommendation of his sub-divisional officers. But now the block relief committee has been empowered to do so" it was stated.

The British Famine Code, following the Poor Laws of England of 1838, gave no right to relief to the Indian destitutes, but made them dependent on government benevolence. The Maharashtra government has not bestowed the right to relief but it has at least guaranteed the benevolence. The West Bengal Manual has made the people dependent on the political rabble.

Oddly, since the Panchayat elections have not been held in Cooch-Behar, it is said in the district that in the thirteen years the Panchayats have been in power, these gentlemen have matured into petty zamindars, zealous of their rights and privileges. With factionalism erupting into the Congress, there has been a bitter fight for the spoils of power. Both sides freely allege that the relief schemes are used to line the pockets of the people's representatives. The 'paymaster' is usually in their employ and the 'gangleaders' are their willing accomplices.

There is a fight for selecting sites for relief work, fight for including followers in the list of names for gratuitous relief. "Government expects to cover 35 per cent of the families in their sub-division", the officer in charge explained, but we have learnt that the Anchal Committees have disbursed it among 80 per cent of the people.

The deputy commissioner, unlike his counterpart in Maharashtra, plays a smaller role. He cannot make all the purchases — the relief department in Calcutta takes care of that. He cannot sanction relief — the Anchal Committees control that. He has however one important function. He warns the government at Calcutta of the impending disaster. (One can never learn — unless a famine enquiry commission is set up) — whether the Deputy Commissioner of Cooch-Behar reported the starvation deaths to Calcutta.)

The Department of Relief, however, began sending "distress" warnings in the appropriate forms, nearly six months ago. 'Alarming' signals (a term in the revenue department's dictionary that signifies acute distress) were hoisted as early as May this year. The Aus paddy and jute crops were reported lost and "the cost of foodgrains had gone out of reach of people".

On May 10 the Department had asked that it be permitted to cover at least two per cent of the population. On the 16th it implored again. It had estimates that 40 per cent of the crop had been lost. The rains (around 130 inches in this region) had set in early and people were totally without employment. The Department wanted to give relief to at least five per cent. On May 20, it reported heavy and continuous rainfall during the previous fortnight. "The possibility of floods cannot be ruled out." On May 21, it appealed for an increase in the quota of relief. "Reports of starvations had started pouring it". On May 23, Calcutta replied by telegram. "No further increase could be considered immediately."

On June 1, the government at Calcutta had agreed to cover one per cent of the population with gratuitous relief. In the first week of July the floods had come. "The floods came in three phases — right through July, August and September."

Until September first, the relief coverage was restricted to one per cent. During the second fortnight of September it was raised to 11 per cent. In October it went up to 15 per cent. Only this month, the Department had been able to cover 20 per cent of the the population. "If only we had recognised scarcity in April and given relief to 30 per cent of the population, there would have been no deaths", officials admit.

Nobody knows how many have died. Authoritative sources put the figure at 5,000. "We do not know" one of the officials said, "how many have died. We have the figures only of the deaths that occurred in the government clinics. We were not asked to register the deaths on the streets and in the railway stations."

They were not even allowed to bear the costs of the cremation of the dead. "At first we referred the cases of unidentified dead to the police", stated the Sub-Divisional Officer of one of the Divisions. But we soon found that the costs were prohibitive. They had therefore asked the municipality to request the sweepers to clear the streets. The new arrangement was cheap. Against the Rs 30 per body we would have had to spend, according to normal procedures, this cost only Rs 4 per body.

The medical teams from Calcutta have fulfilled their objectives. They fanned out into the district in a fight against cholera and, to their credit, the incidence is reported to be decreasing. Now they have time to gather in Circuit House to play word games.

"The victims have died, not from cholera but 'cholera-like' diseases." It was true that the team from the Indian Council of Medical Research had found a 72 per cent incidence. "But we do not agree." Stool samples were being carried by different teams for analysis in a desire for scientific exactitute.

Mortality rates? "About 32 per cent of cases", says Dr S Sen, Professor of Medicine, head of a team sent by the Ministry of Health. Dr R Gupta, chief medical officer of the district, denies it vehemently. "It can only be around 25 per cent."

But the Deputy Director of Medical Services agrees that the statistics of mortality are affected by the number of beds available for cholera cases. Of the 1,984 cases of cholera officially recorded, only 478 are reported to have died.

What about deaths from other causes? There are no starvation deaths, the doctors replied. There might have been some deaths due to "malnutrition with complications". The Directorate of Medical Services seems to be engaged in the task of assembling the figures for any enquiry that may be launched at a convenient moment. If relief operations close, and the people are dispersed, how can you conduct an enquiry anyway?

A Central team is due to visit this state in a week. But Central teams have been known to be notoriously short-sighted. Bred on a diet of Planning Commission tracts, they have been accustomed to associate "scarcity" with failure of rainfall and failure of crops. The paddy crop in Cooch-Behar, a record in the last ten years, will assuage their fears. They would be hard in their customary bargaining. The Sixth Finance Commission's recommendations have to be adhered to. And the Centre cannot run up large deficits.

From April 1 this year until the seventh of November, the expenditure on all categories of relief in the 20 districts adds up to approximately Rs 13.5 crores. Compare this with the Rs 5 crores each spent in the districts of Sholapur and Ahmednagar during the peak months of the Maharashtra famine and you have a measure of the distress in Bengal.

The Finance Commission's recommendations have, on the whole, proved to be flexible in Gujarat. Perhaps, the Central team has been willing to pander to the Centre's desire to win the coming elections in Gujarat. But does that justify their failure to see the faces of the starving in West Bengal?

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Siddhartha Shankar Ray, the Chief Minister, who has been to the best schools, and leans heavily on the twin factions of Fazlul Huq and Santosh Roy, has, it is alleged, rebuked the administration in Cooch-Behar only once. "The BBC has found out", he mourned, "Mrs Gandhi is really annoyed."

Santosh Kumar Roy, the Minister for Relief, has worries of his own. All the cases and enquiries pending against him, although held outside the purview of the Wanchoo Commission, have been placed on the record and published in the local papers. According to the *Hindustan Standard* of August 1, the Cooch-Behar District Central Co-operative Bank of which he and Sudir Neogy were sometime secretaries, sometimes chairmen, has gone into moratorium. The Co-operative Rice Mill of which he had, at one time, been Chairman of the Board of Directors, has been closed. The mill has lost the suit at the sub-judge court, filed by the Food Corporation of India for a shortage in milling of FCI paddy of 1,47,627 quintals of Aman common rice and 6,725 gunny bags. The rice, it was alleged, was sold in the black market.

Santosh Roy flinches at the word 'famine'. "There is no famine in Bengal", he says. "Famine is a condition when lakhs of people die."

This is Catch-22. If there is no famine, how can people die of hunger? The crisis was caused only by the September flood. The floods have receded and the people can go home. The "emergency' is over.

In Writers' Building there are some who know. "A whole generation is being wiped out", said the voice. It did not raise itself above a whisper.

Saraya Steel

SARAYA STEEL's board is considering ways and means to raise additional finance required for meeting the overrun in the project cost caused by increase in prices of steel, cement and other construction materials. Meanwhile, issue of preference capital of Rs 11 lakhs has been approved to meet the enhanced capital requirement of the project in view of the financial curbs and restrictions on lending imposed by banks. Shareholders' consent has been obtained for offering these shares to financial institutions or others without their being offered to existing shareholders.

The company was lucky to get power connection in February last and was able to commission the factory with the first furnace of 4/5-tonne capacity from March on a trial basis. With the continuous availability of power for trial runs then, it could produce 102 tonnes of MS ingots by the end of that month. But the power supply position deteriorated thereafter and the company has not been able to achieve desired results. The issue is being tackled with the UPSEB and the state government with the assistance of the Steel Furnace Association of India. The directors hope that the position will improve soon and the company will be in a position to start full capacity production. The present installed capacity is 9,000 tonnes per annum on a three-shift basis.

MAHARASHTRA

Revolt of the Urban Middle Class

THE results of the elections to 193 of the 218 municipalities in Maharashtra, held on Novemer 18, have come as a rude shock to the Congress. These were the first municipal elections to be held under the new election law which provides for the direct election of presidents of municipal councils. The resounding defeat of the Congress will partially lift the pall cast by the seeming impregnability of the ruling party over the opposition parties as well as other forces working for economic and political change.

The Congress, it is true, had not contested all the elections for the posts of presidents on the party symbol nor had it put up official party candidates for all the elections of members of municipalities. However, according to official sources, the Congress party had contested all the elections of presidents of municipalities — some on the party symbol, some in collaboration with fronts of other parties and a large number as independents. In the event, the Congress secured only 20 out of 193 municipal presidentships to which direct elections were held. In addition, the Congress also failed to get a majority in more than half the municipalities.

Congress Fails

The Congress did not win the presidentships of, nor a majority in, any of the municipal councils in the towns around Bombay. The Shiv Sena won a majority in Thana and also the presidentship; the Socialist Party and the Peasants and Workers' Party have captured the Bassein and Panvel municipal councils, respectively. The elections in Dombivili and Kalyan have gone in favour of the Jan Sangh.

The Congress has fared miserably in Konkan, Marathwada and Vidarbha. It has also done poorly in Western Maharashtra, except in the Sangli, Satara and Kolhapur districts where it has retained its hold over the municipal councils. The party received rude shocks in the home districts of Chief Minister V P Naik (Yeotmal), Irrigation and Power Minister Vasantrao Dada Patil (Sangli), Agriculture Minister Shankarrao Chavan (Nanded), Finance Minister M D Chaudhuri (Jalgaon) and Maharashtra Pradesh Congress President P K Sawant (Ratnagiri). In Pusad town, from where the Chief Minister hails, the separatist Vidarbha Samiti won a majority of the seats as well as the post of president. Similarly, Congress candidates for the posts of presidents in Akola and Amraoti, the two major cities in Vidarbha after Nagpur ,were defeated. The Congress candidate in Akola is an MP and had held the post of president of the Akola municipality for 20 years.

The Congress defeats in the election of presidents and members of the municipalities in the cities of Ahmednagar, Nasik, Amravati, Akola, Jalgaon, Thana, Kalyan, Ratnagiri, Yeotmal, Nanded, Bassein, Panvel, Phaltan and Sangli are significant. The area covered in the elections to the posts of presidents in these major cities and towns is more or less equal to that of an assembly constituency. The Congress failed to get a majority in cities and towns with population of 50,000 and above where it had fought the elections on the official party symbol. Barring one or two places, the Congress had swept the polls both in the 1971 Lok Sabha and the 1972 Assembly elections in these cities and towns.

The outcome of the municipal elections shows that the Socialist Party has improved its strength in a number of cities and towns. The Jan Sangh has just managed to retain its strength. Joint fronts of Opposition parties and independents not attached to any political party have on the whole fared well.

The economic situation marked by galloping inflation, rising unemployment and acute shortage of food and other essential commodities obviously contributed to the Congress debacle. But even more important perhaps has been the inefficient and thoroughly corrupt administration which the Congress had provided in many of the cities and towns. In a number of cities and towns in Vidarbha, Marathwada and Western Maharashtra, teachers in primary and secondary municipal schools and in colleges run by Congressmen do not get their salaries for months on end. Secondary schools and colleges have been turned into commercial ventures for amassing wealth by Congressmen. The lower middle class population in the cities and towns, oppressed by the worsening economic situation and by Congress maladministration and corruption, may be said to have registered its strong protest in the municipal elections.

Brush Off

The leaders of the state Congress are trying to brush off the party's failure in the municipal election. They reckon that the party can retain power in the state with its massive rural support-base. The urban population, they say, has always been lukewarm to the Congress, if it has not been downright anti-Congress. Even so the state Congress leadership cannot but see the municipal elections as a bad start for the party's preparations for the next assembly election in 1977. The attitude of the lower middle classes in the towns towards the party is bound to have some influence on the party's position in the adjoining rural areas as well. At the same time, it has to be admitted that none of the opposition parties — including the two communist parties, the Peasants and Workers' Party and the Socialists — have the organisation and the cadres to exploit the mass dissatisfaction with the Congress.

Triveni Sheet Glass

TRIVENI Sheet Glass reports that the cost of its project, originally estimated at Rs 247 lakhs, has gone up to Rs 340 lakhs due to allround price increases and retardation of the construction schedule because of irregular supplies of steel and cement. Another important factor has been the rise in the rupee cost of imported machinery. The company's imports are mostly from West Germany, but the foreign exchange loan from ICICI is in dollars. As the exchange rate of DM in relation to dollar has increased, the rupee cost of imported machinery has risen. The consequential increase in import duty has also been substantial. The directors feel that the company may have to raise additional capital of Rs 25 lakhs by issuing preference shares to finance part of the enhanced cost of the project. Civil work is expected to be completed by the end of the year, and the plant should be ready for commissioning by May next. The overrun in the project cost notwithstanding, the directors envisage satisfactory prospects of the company and expect it to show "very good financial results within a year of going into production". This view is based on good demand and high ruling prices for sheet-glass.

Mobilisation of Urban Sweepers

Mary Chatterjee

THIS account is based on 2½ years' study of a particular endogamous section of sweepers in the city of Banaras. They number about 1,800 persons and originate from the Kanpur region where they are known as Dhanuks. They have been migrating to Banaras since the 1920s in response to the increasing demand for scavengers in towns. In the rural area they are mostly engaged in agricultural labour.

A city-wide survey of the caste was undertaken and in addition one particular locality of 33 households was studied intensively in the participant observer tradition. The sweepers studied are employed mainly in the municipality, with a few being in the railways. The rate of pay in the former in 1972 was Rs 103-110. (It has doubled since then.) Women also work and are paid at the same rates as men. The majority of households in the locality studied earn between Rs 200-300 from sweeping, though the average earning is higher. Eight out of 33 households earn over Rs 400, 3 over Rs 500 and 1 well over Rs 600. In addition to this most households earn Rs 9 per month from pig rearing. Many also have some sideline such as basket-work or sale of small items. Municipal sweepers have security of employment, 12 months' paid medical leave in their life-time, 1 month's paid privilege and 14 days' 'casual' leave every year. A woman is entitled to 42 days paid maternity leave after delivery for up to 3 children. There is no provident fund or pension, however. They are entitled to annual supply of clothing to the value of Rs 75 per winter. In fact, they do not always receive what they are entitled to as can be seen from the agitations of the Sanitation Workers' Union. Sweepers in banks, insurance, the Railways and the University earn considerably more than Municipal sweepers.

In Banaras, the sweeper castes are reacting to the new conditions of post-Independence India in a way that marks them off from other low categories such as Chamars or Mahars. Unlike these they exhibit only the most faint-hearted attempts to imitate the behaviour of the traditional high castes, by Sanskritising, as it is usually called; nor do they show signs of trying to claim a higher status in the caste hierarchy. Indeed they cannot do so for they are committed to an occupation which is secure, well paid relative to both unskilled and clerical work and yet which by its very nature must always remain polluting in the traditional scheme of things. Chamars, on the other hand, numerically the largest scheduled caste category in Banaras, provide the city with its low caste leadership. They are active in such welfare organisations as the Dalit Varg Sangh with its aim of ameliorating the conditions of untouchables, the Nishedh, a group that campaigns against drinking (the scourge of the low castes as the dowry is of the high), and the Harijan Sevak Sangh. Those calling themselves Raidasis, after the Chamar saint of the same name, organise annual conventions at which they pass Sanskritic resolutions banning the work of midwifery and handling of carcasses, both indicative of attempts to approximate to the norms of the traditional elite. They are to be found organising processions against Untouchability on such occasions as the birthday of Ambedkar. Chamars provide the bulk of the members as well as the leadership of the local neo-Buddhist movement, the Banaras branch of the Bharatiya Bodh Mahasabha, founded in 1972 by Moti Ram Sastri, himself a former Chamar. Only 10 per cent of the members belong to non-Chamar castes. Most of the incidents of discrimination brought to the attention of the Harijan Welfare Committee are reported by Chamars. They are, then, the most vocal of the low caste groups in the city. Nonetheless, they are still, by and large, attempting to secure respectability by traditional means either by Sanskritisation or by religious activity, by adopting Buddhism, a religion which is both Indian and casteless [Lynch, O, 1969: "Politics of Untouchability"], a step which is novel yet in accordance with traditional process s of religious sectarianism. They are not similarly active in politics or trade unions, being divided into a great variety of occupational categories.

Sweeper castes, on the other hand, are not attempting to rise in either traditional or 'modern' social hierarchies for they know that to be a totally unrealistic aspiration in their case. It is true that they have changed some of their practices in accordance with the values of the larger society but this has been haphazard and piecemeal, by a process of assimilation rather than as a result of any deliberate strategy. Sanskritisation may have ocourred at an earlier date in such matters as form of worship, discontinuing of bride price, and abandoning of beef and carrion eating. They still, however, have several distinct forms of worship not found in the Great Tradition. There is no sign at all of Sanskritisation in such matters as widow remarriage, rights of divorce for both males and females, freedom of women, eating of pork, etc. Sweepers continue to drink with zest though it is rare now to see women drunk in public places. This fact, along with their tendency on first meeting to conceal such of their customs as conflict with Sanskritic norms, can be explained as a case of Sanskritisation in the special sense in which Beteille uses the term as the diffusion of the styles of life once distinctive of the upper castes among wider sections of the society rather than as the result of a deliberate strategy, as I said earlier.

Sweepers, then, cannot identify with organisations which aim at raising social status, whether through emulating traditional elite behaviour, such as the Dalit Varg Sangh does in practice, or through conversion to a theoretically casteless religion such as Buddhism or Christianity. In Inglesia Lines, the locality studied intensively not one person had even heard the name of Ambedkar, the low caste leader who led the Mahars to Buddhism. Nor can sweepers identify with organisations controlled by the larger society such as the Municipality Co-operative Society committee or the Harijan Sevak Sangh (with its high caste welfare orientation), a form of behaviour typical of cultures of low status. So great is the apathy shown by sweepers that a ruling has been introduced specifying that Municipality Co-operative Committees must include a certain number of sweepers. They are no longer active even in their 'own' organisation, the Balmiki Sangh, now almost defunct, with its commitment to Gandhian techniques of persuasion and hunger strike.

Sweepers, then, are more apathetic than Chamars or other low castes in Banaras. Their social aspirations are low and illiteracy still being widespread (though it is decreasing) awareness of their legal rights is low. They do not register complaints about discrimination with the Harijan Welfare Committee. The old leaders no longer command support and new ones are only just emerging. However, insofar as sweepers are not apathetic they concentrate most of their energies on Trade Union activity and it is this which distinguishes them markedly from other low caste groups.

With a leadership that is only incipient, social grievances cannot be expressed. It is only the material and tangible approach of the Sanitation Workers Union that can call forth leaders and meet with response, for their aspirations are concrete and economic. The Union has 100 per cent membership and holds regular meetings. Interestingly enough, the Union is organised by a Brahmin. The secretary claimed that agitations on an all-UP basis over the last ten years had led to a doubling of wage rates, building of 800 new quarters for sweepers in the city of Banaras, reduction of the working day to 7 hours, introduction of a regular weekly holiday as well as festival days, expansion of the work force and general improvement of conditions of service and of special facilities. Clearly the Union has not been the only instrument of such change but it seems that it has played some considerable part. In 1972 there was a three-month programme of weekly processions through the city (attended by women as well) in support of 18 demands. Many of these were concerned with non-implementation of provisions already granted on paper though not in reality. Other petitions concerned lack of a pension or provident fund, the demand that pay should be up to the level of that given in Agra, Kanpur, Allahabad and Lucknow, that brooms and baskets should be given monthly, that weekly holidays should not be cancelled, that the posts of Jamadar and Daroga (supervisors of sweepers) should be filled by educated sweepers, that on retirement of a worker preference should be given to members of the same family, that quarters should be repaired, that those coming from afar should be given city allowances and that the requirements of the Public Health Manual should be in force.

Leadership in the Union is partly in the hands of traditional choudhuries but only of those who are more prosperous than is general, and sufficiently able to be conversant with the ways of the town and its bureaucracies. Younger committee men tend to be literate. In fact, there is a considerable amount of doubling up of the roles of headman, 'big man' and 'neta'.

Sweepers also participate in the political system. In 1972, 100 per cent claimed to have voted in the previous election (of Inglesia Lines informants at least). They are not yet revolutionary and two schools of thought can be seen among them. The majority of them vote for Congress and only a few of the more educated ones express support for the Communists. One or two still thought that if the caste system came to an end there would be chaos. Most of them do not consider their position to be divinely ordained and express some bitterness towards the middle class. What is new is that they see themselves as an interest or pressure group, as one competing against others, as a class almost. They are bypassing the processes of elite emulation, of Sanskritisation, and are already acting in ways that show structural change in the social system. Mere cultural change is of little interest to them and they do not trouble to change their style of life, despised though it is, though they have the means to do so. Sanskritisation or conversion to Buddhism cannot appeal to them collectively for they are likely to remain committed to the occupation of sweeping. Nor is it likely that in the near future increasing mechanisation will create unemployment among them. The widespread use of the flush system in Banaras has not affected their employment adversely. On the other hand, individuals and families which move into other occupational worlds may attempt to use more traditional techniques such as those described, in their attempt to 'better' themselves. Two sets of sweeper families of Hela subcaste in Delhi have converted to Buddhism under the initiative of educated male members now employed in other types of work. In Banaras, though, there is no sign of such a process. Indeed, occupational mobility is very low. However, those few persons who have succeeded in becoming supervisors of sweepers, clerks or teachers do not show signs of adopting any particular technique of social mobility.

The structural change that sweepers are already involved in is a movement towards a system based on class rather than caste. It is not as yet, a movement towards revolution or communism for sweepers are, in a sense, committed to the *status quo*. Having the monopoly of sweeping (only a limited number of other castes being prepared to replace them) they are not without power in the social system in which they find themselves. They tend, then, to vote for Congress. This power was revealed in the strikes of municipal sweepers in both Kanpur and Delhi in 1972.

[This work was done with the aid of a Research scholarship from the University of Banaras.]



NORTH

Politics of Drive against Smugglers

LIKE the prosperous farmers, the smugglers too have a flourishing and influential lobby in Punjab. Smuggling of gold, scarce consumer goods, and other articles across the border between the two Punjabs has enabled countless adventurers, especially in Amritsar district, to make fortunes. Many of the smugglers have turned politicians or have protectors in high quarters. Congressmen are as involved in such arrangements as members of the opposition parties. No wonder that Chief Minister Zail Singh's recent drive to apprehend smugglers has caused great consternation among legislators and others, irrespective of political affiliations. Under his directive, the state police is reported to have drawn up a list of politician-smugglers who are to be hauled in under MISA. Zail Singh started the anti-smuggling drive with the arrest of Jai Inder Singh, a former Congress MLA, who had made Amritsar the centre of his activity and is alleged to have made lakhs of rupees through a smuggling network. Naturally by having him arrested, the Chief Minister has brought down a hornets' nest about his ears. Pressures from all quarters and of all sorts are being brought to bear on him for the release of Jai Inder Singh and for the abandonment of the drive against smugglers.

Blurred Dimension

The drive has lately slowed down. The initial enthusiasm seems to have faded. According to a spokesman of the anti-Zail Singh group, the smuggler-politicians threatened to make things difficult for Zail Singh unless he reversed his policy. While the general public commended the step taken by Zail Singh against a powerful Congress leader, the fact that Jai Inder Singh had sharp differences with Zail Singh has given a new blurred dimension to the episode. Political vendetta has been alleged, and this view has been made credible by the government's failure to arrest any other important personage on similar charges. Akali and Jan Sangh leaders — lately acting in close co-operation in the anti-Zail Singh campaign — have been particularly critical. In a statement, Parkash Singh Badal, leader of the Akali opposition, and Hit Abhilashi, state Jan Sangh chief, warned that if the Chief Minister harassed rival politicians under cover of the anti-smuggling campaign, they would oppose his moves. The Chief Minister's many critics have pointed out that by contrast Zail Singh has taken no action against at least two of his ministers about whom there are specific allegations of complicity in smuggling. A group of Punjab Congress MLAs met Central leaders recently to persuade them to get Jai Inder Singh released.

Road Transport Racket

Nor is the smuggling racket the only gold mine for the politicians. They are alleged to have made handsome gains through road transport operations also. By shielding key functionaries of the nationalised transport (Punjab Roadways) — who have been running unauthorised trips of buses on state and inter-state routes — and by adjusting the timings of government buses so as to allow the cream of the traffic to private road operators, some politicians have caused losses to the public exchequer while lining their pockets. For years, in fact, private road operators have wielded extensive political power and have succeeded in dissuading the administration from nationalising more routes. Originally the road routes were shared by the government and private bus companies on a 50-50 basis. The government share was later raised to 60 per cent, but the routes allotted to the private operators were so manoeuvred as to leave their share of the total mileage unaffected — or even increased in some cases. What Punjab has thus lost is evident from the fact that Haryana, which has opted for almost 100 per cent nationalisation of routes, has made a success of its road transport. Punjab has maintained its 60-40 ratio for many years and does not intend to change it in the near future. Like the landlords and the smugglers, the major private road operators are known to make handsome contributions to the ruling party's funds.

There are also no smuggling scandals in Himachal Pradesh, though the state territory extends right up to the Tibetan border. But there is horse-trading of quite another kind. A major fertiliser scandal came to light a few weeks ago: while the farmers were clamouring for essential farm inputs, a large quantity of fertilisers is reported to have got 'wasted' because of the Agricultural Department officials' 'inefficiency'; indeed, reports have it that some officials in charge of fertiliser distribution connived with the big landlords to create an artificial shortage, as a result of which for many months the input was made available only at black-market prices; supplies were actually stored at far-flung places and were beyond the reach of those who could not pull strings at high levels.

In recent months, several industrial licences too have been misused in Himachal Pradesh. By establishing fake units and disposing of the allotted raw material in the black market, the so-called entrepreneurs have minted money. Some industries department officers too are suspected to have gained in the process.

Break-up of Rebel Group

While these reports have not made much of an impact on the public and have been passed over as nothing unusual, Chief Minister Y S Parmar's sudden success in splitting the 18-strong dissident group (which had been troubling him for many months) will surely change the course of Himachal politics. On November 15, three of the dissidents openly pledged unequivocal support to Parmar, signalling a break-up of the rebel group. One of the three is a former Deputy Minister. On November 18, yet another dissident returned to Parmar's fold.

Two main reasons are given for the virtual termination of dissidence in Himachal's ruling Congress — *viz*, frustration among the 18 rebels over their failure to dislodge Parmar despite a sustained campaign occasionally supported by some top Central leaders, and the inept handing of the dissident movement by its leaders. Parmar's emissaries had been trying meanwhile to lure away some of the rebels, but their efforts had proved futile so far. All the four former dissidents now stress the urgency of strengthening the Chief Minister's hands "in the interest of the state". Parmar must now heave a sigh of relief.

INTERNATIONAL AFFAIRS

A Meeting of Needs

G P D

FOR nearly five years now, the normalisation of Sino-Soviet relations is being talked about. In 1969, Premier Kosygin had stopped by in Peking, on his way to Moscow from Hanoi, for talks with Chou En-lai at the Peking airport. Ever since then speculation on the prospects of Sino-Soviet relations has been rife. And there have always been signs that the impasse in Sino-Soviet relations may not be quite so hopeless.

The latest in the series of such signs has been the message which the Chinese Communist Party has sent to the CPSU on November 7. The message talked of a non-aggression treaty between the two States provided it is followed by disengagement of troops on their borders. This was, clearly, a rather belated response to Brezhnev's proposal of a no-war pact. To balance this soft approach, the Chinese ambassador to Moscow staged a walk-out of the Anniversary banquet on November 7. Apparently, he did not approve of Gromyko clubbing the Chinese with 'extreme reactionaries'. This walk-out, once again, suggested that normalisation of Sino-Soviet relations was not as close as the Anniversary message might have led one to believe.

But, then, it might not be very far either. The Chinese are probably looking forward to peaceful co-existence with that revisionist social system. Having at last struck a working relationship with the anti-imperialists it should not be very difficult to work out strategies to co-exist with the revisionists. Where there is a will, there is normalisation.

A closer look at the present international system would show how the Sino-Soviet relationship is a particularly unnatural one. It would seem that, apart from the two super-powers who dominate the system, there are three other more or less autonomous centres of decision-making. They are: the EEC, Japan and China. This pentagonal distribution of world power has one major weakness. The Sino-Soviet arm of the pentagon is a broken one. The level of communication between China and the Soviet Union is much lower than the level between any other two points of the pentagon and even lower than the level between any other point and China or the Soviet Union. This unnatural relationship leaves the pentagon of international power today rather weak. It is not in the interests of any one of the five centres of power to let this unnatural state continue. More importantly, Europe and Japan would want to alter this situation. It cannot be difficult for them to see that the only power which benefits from the situation is the US. Already, the power-equations within the pentagon are by no means equal. The two super-powers are well ahead of Europe and Japan in everything. So both Europe and Japan have everything to gain from independent China's capability to talk with Moscow and Washington.

Even Moscow may want the situation to change. It cannot go on letting Kissinger have the initiative in the Far-East all of the time. However reluctantly, it will have to concede a certain equality to Peking. The major hurdle in the normalisation of Sino-Soviet relations has been the Soviet refusal to recognise the simple fact that the strategies which work in the West cannot, and do not, work in the East. In short, that East Asia is not East Europe.

Even US foreign policies in East Asia were based on the misunderstanding that East Asia was East Europe, that Vietnam was but another Bulgaria. It is strange but true that the Soviet leaders too did not recognise that China is neither Hungary or Czechoslovakia. The US has had to take a new look at the world. It would be small wonder if its partner, the USSR, did the same.

The ideological debate between China and the USSR would, of course, continue. That has nothing to do with the 'normalisation of relations'. In fact, it is possible to perceive quite clearly some phases in the Sino-Soviet relations. Upto roughly 1964, the Chinese attack on the Soviet Union was more ideological in character. The State to State relations, although far from good, were not explosive. With 1964-65, the bigger issues of ideology and theory seem to have given place to State to State quarrels culminating in the Ussuri crisis of 1969. The theoretical concerns became territorial concerns. The polemic was replaced by angry abuse.

But we might once again be quite close to a period when excessive concern with territory and arms is replaced by polemic on theory and ideology. After all, normalisation of relations does not mean the meeting of minds. It usually means the meeting of needs. I have a feeling that China and the Soviet Union may be on a threshold of just such a limited understanding — which eliminates small-scale conflicts or a war.

There is, besides, the proposed Communist Parties Congress early next year in Europe. The Chinese manoeuvrability *vis-a-vis* the European parties would suffer if they did not accept a fair and just settlement of the border dispute. It would appear that the CCP's November 7 message to the CPSU is ultimately aimed at demonstrating that the Chinese are always willing to enter into a no-war pact, to negotiate the disputed borders, and so on. The Soviets will now have to make an appropriate gesture — or else the proposed Communist Parties' Conference would not share the Soviet reading of the Chinese role. The chances, therefore, are that the Sino-Soviet dialogue, broken for quite some time, may be resumed once again.

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Expanding Core

INDUSTRY MINISTER T A Pai's latest sally, in his breathless runnings-about, has been to sponsor a proposal to extend the concept of 'core industries' to include in it, apart from the basic industry groups, what he calls essential industries, such as cement, sugar, paper, fertiliser, insecticides, textiles and drugs. In effect, what Pai is proposing is a further obliteration of the distinction between the core and the non-core spheres of the industrial sector. Till now, relaxation of the provisions of the Industrial Development and Regulation Act was being talked of only for the so-called core industries. In these industries, units belonging to big industrial houses or those controlled or largely financed by foreign investors were to be allowed expansion. Now these concessions are apparently to be extended over practically the entire industrial sector.

For, once the additional industries mentioned by the Minister of Industry are included in the list, not more than 20 per cent or so of the total industrial sector would remain 'non-essential'. With a little bit of lobbying and patronage, just about any industry could be described as growth-oriented or as supplying essential inputs for some key activity or as producing wage-goods or mass consumption articles. And it could claim various benefits in consequence: it would be generously assisted by public financial institutions, the government would assure it regular supplies of raw materials and the necessary sanctions for expansion would be readily forthcoming. In addition, the Industry Minister has now held out a blanket promise of a minimum rate of return of 16 per cent on capital for these industries.

All this adds up to, quite simply, a negation of planned industrial growth and makes a mockery of ideas of reducing concentration of ownership and control in industry. Even in terms of the objective of short-run industrial growth, these policies are unlikely to work. The government should have learnt as much from its experience since the mid-sixties. It is the progressive dilution of priorities in the pursuit of so-called industrial growth during this period that has been responsible for shortages of vital industrial products which, in turn, have become constraints on industrial investment and growth and have necessitated rising levels of maintenance imports.

If inducements could have done the trick, a great deal should have happened during the past two years when industrial licensing has been liberalised, illegally installed industrial capacity has been regularised, the anti-concentration aspects of the MRTP Act have been virtually put in cold storage and generous increases have been effected in controlled prices. Yet the stagnation of industrial output and investment has deepened. The Industry Minister's lament that not even 25 per cent of the additional capacity licensed for cement is being implemented should prove the point. And should it be suggested that the price control on cement has something to do with this, there is the case of paper where successive increases in prices have failed to bring about either expansion of output or investment in fresh capacity.

The fundamental imbalance afflicting the industrial sector cannot be corrected by isolated acts of investment in the private sector. On the contrary, by allowing investment in all manner of industries and by guaranteeing a minimum rate of return to everybody, the government will only aggravate the chaos. Growth depends upon an assured market just as much as it depends upon the availability of adequate elasticities on the supply side. Because of the manner in which incomes and prices have been allowed to drift in recent years, both these conditions have ceased to obtain for a whole lot of industries. Indiscriminate underwriting of the rate of profit, as T A Pai has now promised — no doubt, by adjusting prices upwards for industries which are under pressure — will only make matters worse. By raising prices arbitrarily, the government would further aggravate the perversity in the pattern of pricing and income distribution, and so further distort the demand and supply situations facing industries.

In any systematic approach to overcoming the demand and supply bottlenecks to industrial growth, raising the level of public sector investment in industry will have a crucial place. Indeed, to understand the present industrial stagnation one has only to go over the long list of public sector projects in industries like fertilisers, aluminium, cement and paper which have been jettisoned or held up over the last five or ten years. Yet expansion of public sector investment in industry appears to figure nowhere in the Industry Minister's agenda for action for revival of the industrial sector. This is what makes it difficult to believe that, for all his apparent agitation, T A Pai means business.

Motivation and Organisational Effectiveness

Ishwar Dayal

Motivation and Organisational Effectiveness edited by S K Roy and A Sreekumar Menon; Shri Ram Centre for Industrial Relations and Human Resources, New Delhi, 1974; p XII + 267; Rs 35.

OF the ten papers in this volume nine are original and were written specially for it. The editors have done well to compile material on the two factors motivation and organisational effectiveness because these subjects do, as the editors say, explain in some measure the "problem of under-utilisation of abilities, frustration-instigated behaviour, unfavourable job attitudes, alienation, and low morale". These problems "... prevail as much among managers and supervisors as among workers". The editors feel, and I agree with them, that a mass of evidence and experience relevant to Indian conditions is available in this area and has implications for managerial effectiveness; the present collection is meant for both the practitioner and the academic.

The collection of ten essays covers four themes: (i) the socio-cultural milieu and work motivation; (ii) job satisfaction, motivation, and job behaviour; (iii) impact of organisation on employee; and (iv) achieving organisational effectiveness.

Socio-Cultural Factors

The first theme concerns the influence of socio-cultural factors on motivation at work. The three papers on this theme discuss how the values, attitudes and certain basic behaviour patterns develop in the process of growth, and how these are primarily influenced by the family, the community and the social environment of the individual concerned. The organisational policy and practices may or may not be consistent with the environment. In the latter event, the employees would find adjustment to work more difficult. The consequences of maladjustment would be estrangement with higher levels of management, alienation, high absenteeism, etc.

The three papers touch upon different aspects of the theme on the socio-cultural influence on the employee at work. J B P Sinha in the first paper emphasises through illustrations that the employees' own psychological needs, complexes, values, and habits affect adaptation to industrial patterns of working, even in cases where the institutional leadership is sensitive to human problems. Sinha's remedy, implied in his conclusions, is that the psychological dispositions of people in an organisation vary and the leadership has to be sensitive to these factors while developing relationships among people.

The second paper by J B Miner uses cross-cultural data to suggest that though there are similarities across cultures in motivational patterns related to work, there are sufficiently large differences that explain, at least in part, variations in economic productivity. Miner also suggests that there is evidence that culture change can occur and it can be induced so that external forces do not inhibit productivity.

The third paper, by B N Mukherji, concerns itself mainly with achievement values in a culture and conceptualisation of these values. This he terms as a three-facet model of achievement values. Mukherji's conceptual frame attempts to explain differences among people in achievement values. He suggests that "achievement values can be described not only in terms of variations with regard to stable dispositions towards how one attaches importance to competence, competition, and future time perspective but also in terms of the intensity, probability, and extensity of achievement values that are aroused by situational factors" (p 73). The suggested model in this paper is based on normative arguments and not empirical data.

Work Systems and Environment

All three papers, based on research findings abroad and some in India, use data in varying degrees to develop their respective theses. There is a considerable body of knowledge to support the conclusions drawn by Sinha and Miner. Perhaps the reasons for failure of participative practices in Indian industry may well be the different sets of experiences in the family and at work. By and large the family environment provides security and nurturence not normally available in the work environment. At any rate, a more personalised network of relationships, as against system or work-based relationships characterise the family, though industry seems to require the latter. There has been little attempt in India to examine what kind of work systems might be necessary in the Indian environment (Dayal, 1974). In contrast, it is interesting that Japan has evolved relationships at work which are consistent with their environment (Nakane, 1970).

There is evidence also to support Miner's thesis that change can be induced and people would adjust to the new requirements. Such an effort would have to be deliberate and planned (Dayal 1971, De 1971). A sharp break in the characteristics of the environment and those of the organisation may well be a significant factor for near-neurosis in most organisations in India where increasingly the emphasis is on the form rather than the substance, the results being less important than the preservation of one's status.

Individual Needs and Job Satisfaction

The second theme in the book on job satisfaction, motivation and job behaviour also has three papers. This section emphasises the impact of individual needs and dispositions on satisfaction at work and its impact on performance. The first paper by A M Dolke examines the empirical studies on job expectations of blue-collar workers and the effect of intrinsic and extrinsic factors in job satisfaction. Dolke suggests that job satisfaction is important from the point of view of performance at work and mental health of employees. These are both important for managing organisations. S K Roy and G A Raja have reviewed the literature on the motivation of managerial and supervisory personnel in industry. Their review leads to the conclusion that the practices followed in Indian industry to motivate supervisors and managers in fact lead to frustration and negative goal-oriented behaviour. The authors suggest that "motivation not only implies mobilising people's energy regardless of the means; a proper mix of these means must be selected with due emphasis on intrinsic motivation. Job satisfaction *per se* may not favourably influence work performance and behaviour unless the satisfaction is achieved by optimising intrinsic and extrinsic rewards" (p 135).

The third paper on the second theme is by D Sinha who has reviewed the literature on the subject and has raised the significant question that merely asking people how satisfied or otherwise they are with their jobs does not necessarily provide an index of job satisfaction or morale. Sinha has argued, and this view is fairly widely shared now, that job satisfaction is an overall complex of attitudes and factors in the social environment of work. It is a collective index and consists of a complex set of variables. Sinha has discussed the relationship of job satisfaction with job performance, absenteeism, turnover, accident and adjustment.

The three papers in section two usefully survey the empirical data on what makes a person apply himself in a job and how an organisation can induce behaviour that results in the wellbeing of both the organisation and the individual. Though the data is rich and competently handled by the authors in all three articles, I am left with the feeling that the weakness of social science research continues to lie in the limitations of the methodology used to study a real-life phenomena. Reality is far more complex than allowed for in the research design.

As pointed out by the authors, job satisfaction in itself is a complex summative index as profit is for business organisations and the expression of satisfaction or otherwise with individual aspects of work may inadequately predict how the person in fact behaves. There are many factors within the individual's make-up and in the environment which affect satisfaction but these are difficult to identify and to measure. The concept of job satisfaction has limited application in managing social systems. The concepts are useful and we need to continue research toward grasping a better understanding of the reality around us in all its complexity. At present these concepts can only be directional and, I believe, they cannot be fully used for developing managerial practices in organisations.

Impact of Organisation on Employee

The third theme included in the book is the impact of organisation on the employee and has two papers. The concern of the editors in this section is to highlight how the organisational design or the work practices influences the performance of the employee at work. Sreekumar Menon reviews the definition of organisational climate and suggests characteristics that influence and also differentiate one organisation from another in respect of human motivation. He suggests that the climate, as characterised here, influences the satisfaction or otherwise of employee needs and implies that this aspect is related to performance at work. D M Pestonjee reviews some studies to show that the way in which the organisation is structured or the style of a leader influences employee satisfaction and performance. The author concludes from his survey that "employee-oriented, supportive, democratic structure is highly conducive to satisfaction and high morale" (p 226).

I believe that in this section the review of literature is selective and the controversy in literature both in respect to climate and leader-behaviour is inadequately brought out. As in the case of studies on satisfaction, climate is also a summative concept and the sum total of the factors comprising climate as listed by Menon may not reflect the behaviour of people at work.

Leader-Behaviour

It is often found in organisations that the leader may not be the most popular person and people may not respond to him with as much warmth as they may do to others, but he may have provided an environment or a system which enables people to do well and gain greater confidence in their work. Many measures of climate explain inadequately the behaviour of people at work. The factors isolated by a social science researcher to obtain data on single aspects are at times misleading because the totality of an organisational reality fails to yield to simple measures, and I believe these measures are sometimes misleading. This comment also holds true of leader-style emphasised by Pestonjee. The democratic and other labels for leader-behaviour are limiting in conception, and variations of these in organisational situations should be fully taken into account. Leader behaviour may vary according to the situation and also according to the task system. The simple typology used by Pestonjee explains only a few situations and cannot be seen as a theory.

The fourth theme is organisational effectiveness and includes two papers. The first paper by P R Poduval suggests that an organisation is both a socio-technical system and one that is influenced by external society and its organisations. He suggests that effectiveness of an organisation depends upon all these interdependent aspects of the organisation. Ishwar Dayal has examined the impact of legislation on the effectiveness of an organisation. The internal system of a firm responds to the external demands by internally developing systems which correspond to those demands. Thus, the law-maker must recognise the implications of the laws on the enterprise system.

The themes included in the book are important. I am not sure how the last two themes on organisational climate and effectiveness relate to the first two which deal primarily with the impact of culture and psychological predispositions on performance at work. The relationship is remote. The themes chosen, however, are important in their own right and the most significant contribution of this book is that it brings together a large number of studies on motivation from dispersed sources. These could be useful to students of the subject.

The language of most of the papers is likely to be unfamiliar for most managers and administrators and it is unlikely that the book would sustain their interest. There is very little discussion of the application of research findings by the authors and the question that appears to puzzle most interested managers still remains wide open: how should management apply the knowledge culled from research, granted that the findings were generally accepted by them?

Briefly, the book's value lies in its choice of extremely relevant themes; and the data it provides which are of a kind not easily available to everyone interested in the subject. The book's usefulness would have been enhanced if its language had been less unfamiliar to those for whom it is written and had the editors spelled out how the findings of empirical research could be utilised by the management of an enterprise.

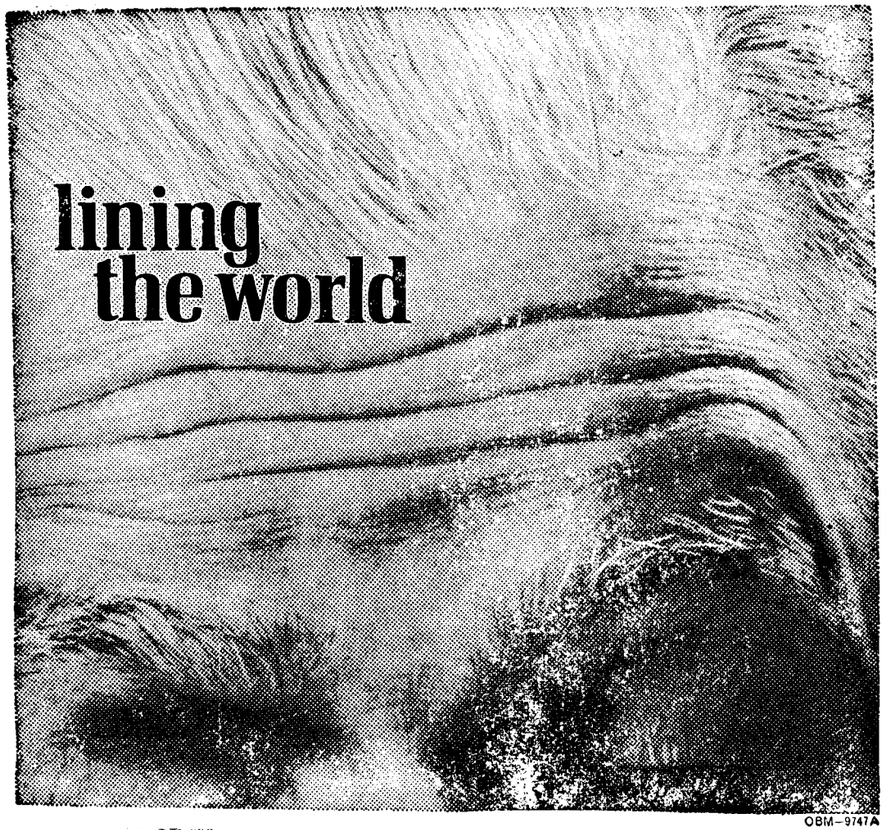
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Stock Price Level—A Predictive Analysis

Pronab Sen

The level of stock prices and their movements over time have always been of prime interest to people—as large investors intent on making a 'killing' on the market, or small ones more concerned with finding a relatively safe depository for their savings. In the last twenty years or so, a number of fairly detailed studies have been made to determine the factors which most affect stock price movements. These studies usually focused on an industry and the individual firms therein, and attempted to isolate the attributes which made the stocks of one company more desirable than another's.

Distinct from these 'micro' type studies, other researches of the 'macro' variety have been made. These studies attempted to draw a linkage between movements in the general stock prices and the movements of certain other broad general economic indicators; and hence to try and predict the future levels of stock prices. It is the attempt of this paper also to examine the relationship between the level of stock prices in one time period and some general economic indicators of the previous time period.

The paper is divided into five major sections. In the first section, is presented the conceptual basis of the analysis. In the second, a brief review is made of some earlier literature on which our analysis is based. The third and fourth sections cover the data itself and the analysis of the data. In the fifth section, the analysis is summarised and its likely limitations indicated.

I

IN this paper, it is our effort to draw a causal — and hence predictive — linkage between a measure of the level of stock prices and some independent variables. As our independent variables we have selected the absolute level of money stock, the rate of change of money supply, the level of productive activity in the country, and the rate of change in the productive activity. It is our hypothesis' that such a relationship does exist and can be used for providing an indicator of the future. We have made use of US data for this case study only because of their quality and coverage. We have defined the level of stock prices to be the quarterly index of stock values as given by the Standard and Poor's Corporation.

The stock of money has been defined as the quarterly value of the sum of liquid currency and demand deposits in banks, seasonally adjusted. This is the definition used by the Federal Reserve Board for computing their value for the stock of money (M_1).

Finally, we have used the Gross National Product (GNP) to define the level of business activity. The other two independent variables, the rates of change in money stock and in the GNP, have been defined as the change in these variables from one period to the next as a percentage of the absolute figure for the first period.

We assumed, as our theoretical base, that the relationship between these variables would be of the following type :

$$SP_t = a + b\,(GNP)_{t-1} + c(Rg)_{t-1} + d(MS)_{t-1} + e\,(Rm)_{t-1}$$

$(SP)_t$ Index of stock prices in time period t

$(GNP)_{t-1}$ Cross National Product in period (t—1)

$(Rg)_{t-1}$ Rate of change of GNP in time period (t—1)

$(MS)_{t-1}$ Stock of money in time period (t—1)

$(Rm)_{t-1}$ Rate of change of money stock in time period (t—1)

This equation represents a linear relationship between the variables. In using this type of a model, the following assumptions were made :

(a) The determination of the stock of money in the economy is external to the private sector, who exercise no control whatever on it.

(b) Changes in the nations rate of growth of money supply are determined independently of private control.

(c) The nation's GNP and changes in the rate of growth of the GNP, though determined largely by the private sector, is not controlled by any collusion between the major corporations.

(d) Changes in the price level of the economy affect all the variables to the same extent, and hence leave the relationship relatively unaltered.

The research design used, was to run a multiple regression analysis between the dependent variable, index of stock prices, and the independent variables, money stock, rate of change of money supply, GNP, and the rate of change of GNP. To determine the order in which these variables should enter the regression equation, a partial correlation analysis was employed to evaluate the relative importance of the variables in terms of the correlation coefficients. This analysis is expected to generate a regression equation which may be used for predictive purposes.

II

It is is beyond the scope of this paper to examine exhaustively the literature which pertain to the investigation in hand. We shall briefly outline a few of the more important recent studies on the effects of money supply and GNP on stock prices. A short summary of the basic economic rationale behind these relationships would, however, be desirable.

As has been mentioned earlier, classical monetary theory has tended to hold that changes in money supply directly affects the total output of the economy, at least in nominal terms. The so-called 'Neo neo-classicists', led by Milton Friedman of Chicago, subsequently analysed the effects of changes in the money supply on the individual portfolio balances. They conclusively proved that there is a definite relationship between the two. Such changes in the optimum portfolio would naturally give rise to changes in the demand for securities in the stock market, which would push the stock prices up or down, as the case may be.

The relationship between the GNP — and changes in its level — and stock prices, is somewhat more diffused. Basic Keynesian theory holds that changes in the level of GNP directly affect the personal disposable income of individuals. This has two effects. First, the liquidity effect, which affects the individual's demand for assets with different levels of liquidity — and hence alters the stock market immediately. Secondly, it affects the consumers' demand for goods and services, which influences the investment climate in

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the economy. This gives rise to variations on the pressure in the stock market — and hence on the stock prices.

We now proceed to some relatively recent literature. A number of studies have recently focussed attention on the channels of influence of money on stock prices. The more important of these authors are Hamburger and Kochin (1972), Homa and Jaffee (1971), Keran (1971), Palmer (1970) on Sprinkel (1964, 1971). Most of these authors have assumed that the influence of money on aggregate stock market values is mainly indirect, working primarily through its effects on interest rates and expected corporate earnings. A few however, have, made attempts to examine the more direct effects — such as through the level of risk.

One of the earliest statements about an investment rule was made by Beryl Sprinkel in 1964: "a bear market in stock prices was predicted 15 months after each peak in monetary growth, and that a bull market was predicted two months after each monetary growth trough was reached."[1] This rule, however, held largely true from 1918 to 1960; since then it has not worked well. The problem is that in the 1960's the variations in the growth rate of the money stock have become less continuous and the cycles that do exist are less than 15 months.

Palmer drew a relationship between two sets of data — money supply and Stock Price Index. Both these monthly time series were first converted to percentage changes to minimise secular growth factors. Secondly, monthly percentage changes were transformed to annual rates. Finally, the annual rates of monthly change were converted to a six month moving average, to smooth out the time series. By analysing these two time series, Palmer arrived at the following three conclusions:

(a) There is a distinct relationship between changes in the money supply and movements of common stock prices.
(b) There is a close relationship between the turning points of the two. Money supply usually led by a few months in a lead-lag type of relationship.
(c) A one per cent change in the rate of growth of money supply led to an approximately ten per cent change in stock prices.

In 1971, Keran developed a fairly complex regression equation to predict the future levels of stock prices. His stock price equation was:

$$SP_t = -35.44 + \sum_{i=0}^{2} 1.39\dot{m}_{t-i} -$$

$$R^{-2} = 0.9772$$

$$\sum_{i=0}^{7} 6.44\dot{y}_{t-1} -$$

$$S.E. = 2.89$$

$$\sum_{i=0}^{16} 14.34\dot{P}_{t-1} + \sum_{i=0}^{19} 5.27e_{t-i}$$

$$D.W. = 1.63$$

$\dot{m}$ = percentage change in real money balances

$\dot{y}$ = rate of growth of real income

$\dot{P}$ = rate of change in the GNP deflator, 1958 = 100 (to include the effect of inflation)

e = corporate profits after taxes, deflated by a price index

Commenting on the results of his study, Keran stated: "According to this analysis, changes in the nominal money stock have little direct impact on the stock prices, but a major indirect influence on stock price through their effect on inflation and corporate earnings expectations."[2]

The study made by Homa and Jaffee in 1971, was also an attempt to use regression analysis, which would lead to greater flexibility in the specification of lagged relationships. Such an analysis, according to the authors, allows for more continuity in forecasting and the estimated relationship can be revised as more data becomes available. This method also generates forecasts which are quantitative and the standard error of such forecasts can be easily calculated.

They defined money supply to be seasonally adjusted demand deposits plus currency outstanding, six month moving average at the end of the quarter. The rate of growth of money supply was defined as $(M_t - M_t - 1/M_t - 1$, which was measured at a quarterly rate in percentage points. To this data they fitted a number of regressions with alternative lag structures. The relationship yielding the best fit was found when the level of the money supply variable was included with its current value and the growth rate of the money supply was specified with both its current value and a one quarter lag. The regression equation thus defined was:

$$SP = 26.77 + 0.61M + 3.14G + 1.46G_{-1} + 0.874_{u-1}$$

$R^2 = 0.968$ S.E. = 3.7 D.W. = 2.14

This equation explained 97 per cent of the data variance. This high correlation, however, was offset by the large co-efficient of serial correlation (0.87), which implies that 87 per cent of the previous periods error would recur if the serial correlation were not taken into account.

There was also another serious problem. If this model was to be used for predictive purposes, then some method would have to be devised by which it would be possible to predict the rate of growth of money supply, and hence the level of money supply in the coming period. In order to do this, the authors derived another regression equation of the following type:

$$G = a_o + a_1 u^2_{-1} + a_2 P_{-1} + a_3 BOP_{-1} + a_4 G_{-1}$$

u = unemployment
P = rate of inflation
BOP = ratio of US reserve assets to total US short term liabilities to foreigners.

Using these two regression equations, they were able to predict future stock prices with the accuracy indicated by the statistics:

Correlation (R^2) = 0.908
Root-Mean-Square Error = 4.847
Mean Error = —0.784

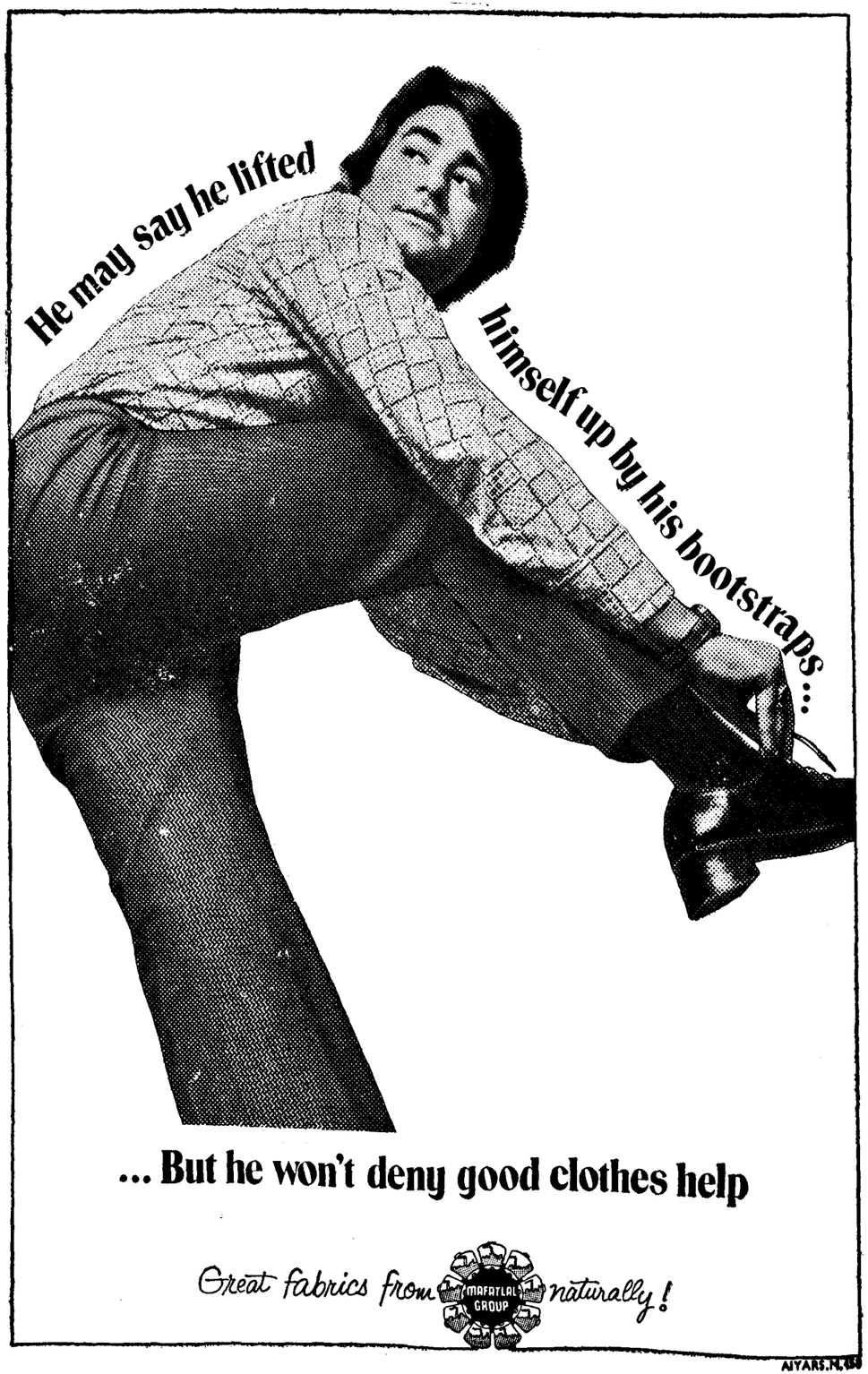
As we can see, this analysis gave excellent results as far as statistical predictability is concerned. Yet, despite its accuracy, the model is just too complex for the common investor to use. In fact, it would be practically impossible for most people to calculate the values of most of the variables included in the two equations.

Finally, the study carried out by Hamburger and Kochin in 1972, differed from the previous ones in terms of the object of the investigation. They were not so much concerned about the precise relationship between money and stock prices, but more about the channels of influence. Previous studies held that the money supply affected stock prices only indirectly through its effects on interest rates and expected corporate earnings. These authors postulated that there was a more direct relationship between the two. The model they used for equity pricing was:

$$P_0 = \sum_{0}^{\infty} M_t \frac{E_t}{(1 - i_t + r_t)^t}, \text{ where}$$

P_o = current price of an equity
E_t = expected earnings in time period 't'
i_t = risk-free rate to time 't'
r_t = risk premium to time 't'

Theoretically, they showed that changes in the stock of money affected all



of the determinants of stock price for individual companies. Hence they deduced that this effect would be magnified when the whole stock market was taken into account. To show this result empirically, they used the Keran model mentioned earlier, controlling for the different variables. Through this analysis they showed that money has ... "a direct portfolio effect, although it is difficult to completely disentangle this effect from the one operating through corporate earnings expectation."[3]

As is evident from these studies, there is sufficient evidence of the relationship between money supply — and changes in it — with the level of stock prices. These same studies also provide indication of the channels of influence of GNP on stock prices — for example, the effect on corporate earnings expectation.

III

As we have mentioned earlier, this study attempts to draw a regression relationship between the levels of stock prices, the level of money supply, rates of change of money supply, level of GNP and the rates of change in the GNP, with a given lead-lag structure of one quarter.

As a measure of the level of stock prices, we used Standard and Poor's 500 Stock Price Index — Composite. The monthly averages of the weekly indexes were further compressed to yield a quarterly average value for the Index. The level of money supply was defined as the sum of currency and demand deposits, seasonally adjusted. This is the equivalent of M_1 as defined by the Federal Reserve Board. The figures for this variable were also collected in monthly averages. These averages were further reduced to quarterly figures by simple averaging. The figures for the Gross National Product, or Expenditure, were gathered from the *Survey of Current Business*, a publication of the US Department of Commerce. The data was available as seasonally adjusted quarterly totals at annual rates.

The rates of change of money supply and the GNP were calculated on the basis of the following equations:

(a) $Rg = (GNP - GNP_{t-1})/GNP_{t-1}$

(b) $Rm = (MS_t - MS_{t-1})/MS_{t-1}$

Both these sets of values were expressed in percentage points. The complete set of data is presented in the Table.

TABLE A: THE DATA USED

Year		Stock Price ($)	Money Supply (billions of $)	GNP (billion of $)	Rate of Change of MS	Rate of Change GNP
1963	1	65.55	148.733	557.4		
	2	69.67	149.667	584.4	0.628	1.178
	3	70.967	151.267	594.7	1.069	1.797
	4	73.273	152.967	605.8	1.124	1.866
1964	1	77.547	153.933	617.7	0.632	1.964
	2	80.300	154.867	628.0	0.607	1.667
	3	82.877	157.300	638.9	1.571	1.736
	4	84.750	159.000	645.1	1.081	0.970
1965	1	86.567	160.000	662.8	0.629	2.744
	2	87.430	160.967	675.7	0.604	1.946
	3	87.927	163.167	691.1	1.367	2.279
	4	91.757	166.033	710.0	1.756	2.735
1966	1	91.630	168.500	729.5	1.486	2.746
	2	88.147	170.733	743.3	1.325	1.892
	3	81.433	169.900	755.9	—0.488	1.695
	4	79.817	170.033	770.7	0.078	1.958
1967	1	87.077	171.633	774.4	0.941	0.480
	2	91.660	174.467	784.5	1.651	1.304
	3	94.437	178.733	800.9	2.445	2.091
	4	94.540	180.833	815.9	1.175	1.873
1968	1	91.627	182.800	834.0	1.088	2.218
	2	98.013	185.933	857.4	1.714	2.806
	3	99.903	189.733	875.2	2.044	2.076
	4	105.230	193.200	890.2	1.827	1.714
1969	1	100.933	196.300	906.4	1.605	1.820
	2	101.680	198.467	921.8	1.104	1.699
	3	94.467	199.100	940.2	0.319	1.996
	4	94.280	200.833	948.0	0.870	0.830
1970	1	88.707	205.433	956.0	2.290	0.844
	2	79.200	209.033	968.5	1.752	1.308
	3	78.740	211.733	983.5	1.292	1.549
	4	86.233	213.800	988.4	0.976	0.498
1971	1	96.733	217.567	1020.8	1.762	3.278
	2	101.440	223.500	1043.0	2.727	2.175
	3	98.547	227.667	1060.8	1.864	1.707
	4	96.413	227.867	1078.1	0.088	1.631
1972	1	105.410	231.200	1109.1	1.463	2.875
	2	108.157	235.700	1139.4	1.946	2.732
	3	109.203	240.500	1164.0	2.036	2.159
	4	114.037	242.750	1194.9	0.936	2.655

Sources: (1) *Trade and Securities Statistics*, Standard and Poor's Corp. New York, NY.
(2) *Federal Reserve Bulletin*, Board of Governors, The Federal Reserve System, Washington DC.
(3) *Survey of Current Business*, US Department of Commerce.

IV

The first step in the analysis of the data available, was to run a simple correlation between the dependent variable and the independent variables. The results of this were as seen in Table B.

As we can see from these results, the stock prices are most affected by the quarterly levels of the GNP and the quarterly money supply. However, the other two variables, too, give correlation co-efficients which are fairly significant. As a result of this analysis we decided to include all of these variables in the regression analysis.

The next step was to determine whether any spurious relationships existed or not, and in which order the variables should enter the regression computations. In order to do this, we employed a partial correlation analysis between the dependent variable and each of the independent variables, while controlling for all of the other independent variables. The results of this analysis showed that, for all of the variables, the partial correlation co-efficients were still significant within the 5 per cent significance level. There was, however, one very surprising result: the co-efficient of partial correlation between the stock price and the

TABLE

	Stock prices (t)	
Rate of change of money supply (t—1)	R=0.3758	s=0.010
Quarterly money supply (t—1)	R=0.7117	s=0.001
Rate of change in GNP (t—1)	R=0.3802	s=0.009
Quarterly level of GNP (t—1)	R=0.7335	s=0.001

level of money supply, controlling for all of the other variables, was —0.2758 at a significance level of 4.8 per cent.

This would imply that there was a spurious, positive, correlation which had been indicated by the simple correlation co-efficients. The effects of the money supply on stock prices were probably not direct — as had been suggested earlier — but were linked indirectly by the level of the GNP. We decided, however, to retain that variable in the regression computation, since the significance level was still acceptable.

The next step was to run a multiple regression analysis between the variables. The order in which the independent variables were entered into the analysis was first the level of GNP, rate of change of the GNP, the level of money supply, and finally the rate of change of money supply. This analysis gave us a regression equation:

$$SP_t = 81.2297 + 0.1455(GNP)_{t-1} + 4.6178(Rg)_{t-1} - 0.6535(MS)_{t-1} + 1.3652(Rm)_{t-1}$$

SP_t = stock prices in time period 't'

$(GNP)_{t-1}$ = level of GNP in time period 't—1'

$(Rg)_{t-1}$ = rate of change of GNP in time period 't—1'

$(MS)_{t-1}$ = level of money supply in time period 't—1'

$(Rm)_{t-1}$ = rate of change of money supply in time period 't—1'

The statistics associated with this regression equation were:

Multiple R = 0.81721
RPsquare = 0.66784
RP square = 0.66786

Essentially what this means is that the regression generated above, explains about two-thirds of the variations occuring in the dependent variable. This is not a very high figure, but it is sufficient for estimating the direction of the stock price movements in the succeeding time period.

V

We have shown in this paper, that a definite relationship does exist between the level of stock prices and the level of the GNP, the level of money supply, the rate of change of the GNP, and the rate of change of the money supply. For the data used, this relationship is embodied in the following equation:

$$SP_t = 81.2297 + 0.1455(GNP)_{t-1} + 4.6178(Rg)_{t-1} + 1.3652(Rm)_{t-1} - 0.6535(MS)_{t-1}$$

This equation explaining about 68 per cent of the variations in the level of stcok prices.

Contrary to most previous studies, we found that the relationship between stock prices of one time period and the level of money supply of the previous time period is a negative one — if we control for some other variables. The positive correlation indicated by many analysts seems to be, according to our results, a spurious one, generated by the close relationship between money supply and the level of the GNP. It is the latter, however, which is the truly important determinant of the level of stock prices, explaining about 55 per cent of the variations.

This analysis does have a number of fairly serious limitations. First, it does not yield a highly accurate figure for the future levels of stock prices. But this limitation is deliberately accepted, since we feel that, if a trade-off has to be made between accuracy and ease of computation, we would prefer the latter beyond a certain point. Moreover, since this analysis is designed for use by the ordinary investor, it is of primary importance that the data used be easy to collect and manipulate, even though some accuracy is lost.

The second limitation is that the analysis gives no indication to what the true channels of influence are. At best, it gives us only a statistical relationship which has prevailed in the past, and may conceivably continue in the future. But without really knowing what the bases of these relationships are, we cannot modify the model over time — except in a purely statistical manner by using the same analysis over and over again on different sets of data. In other words, we have no idea whatsoever as to the limit of the future applicability of the model.

Thirdly, in retrospect, we feel that some measure of the changes in the price levels in the economy should have been included in the analysis. The reason for this is that we were originally postulating that money supply was the major causal factors, and the GNP was only secondary to it. Under that assumption, changes in the price level, which affect the GNP mainly, would lead to some changes in the GNP, but these changes would be offset by corresponding, but less powerful, changes in the real value of money. Now, however, we find that the GNP is the major causal variable. In this situation, the price level becomes very important and may, if included, improve the accuracy of the model tremendously. This deficiency, however, can be easily corrected.

In the final analysis, we feel that this investigation has achieved, to some extent, the purpose that was intended. The results obtained in this paper can be used by the common investors to have a rough idea as to the direction of the future stock price movements. The study can easily be made more accurate, if necessary, by including a few other significant variables which have a direct bearing on stock prices. Like most regression analyses, the results of this study are conducive to greater flexibility in the specifications of variables, and the lagged relationships among them.

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Notes

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Pricing of Safe Deposit Locker Service

Paul Mampilly

The drain on the revenues of commercial banks resulting from the present below-cost pricing of safe deposit locker service is enormous. The banks must be losing around Rs 10 lakhs per year for every 500 cabinets in metropolitan cities.

The consequences of the faulty pricing of lockers seem more alarming when it is realised that the benefit goes to the section of the society which, being relatively more affluent, does not deserve it. Avoidance of such a loss could actually subsidise, for every 500 cabinets, the lending of Rs 2 crores under the differential interest rates schemes.

ARRANGEMENTS for the safe custody of valuables are in demand in urban areas, and more so in the big cities. The Safe Deposit Locker Service was introduced by the commercial banks to cater to this demand. In the initial stages, the commercial banks looked upon this service as a powerful 'loss' leader, useful only to the extent that it was capable of attracting (or retaining existing) lucrative clientele in to the other lines, *viz*, deposits, loans, etc. Supply of Locker Service increased considerably over time. The high rate of occupancy of the commercial lockers in the cities at varying rental rates among the different banks indicates the high demand. The service has thus become an independent commercial activity like any other line of business — at least in the cities. This observation is also shared by branch managers of banks who hold that volume of business in other lines is independent of the availability of Locker Service facility at the branch.

The price-cost relationship developed in this paper, therefore, assumes that the prestige which the locker facility might add on the customer value-scale about the branch does not have significant commercial value. In other words, the study looks at this activity purely as an independent commercial proposition.

Any commercial proposition is justified if the commercial benefits it generates are greater than the sacrifices it leads to. The Safe Deposit Locker Service calls for sacrifices on the part of the bank in the form of:

(a) provision of physical facilities such as premises, strong room, and locker cabinets with the essential accessories; and

(b) expenditure on material, labour, and energy to service the customers.

The service, on the other hand, yields benefits in the form of:

(a) rentals on the lockers hired out, and

(b) margin on the extra business which the locker service might attract or conserve.

The propensity of the Locker Service to command more business in the other lines or to conserve any part of the existing business is hard to establish at least in the metropolitan cities. For the time being, therefore, we ignore the benefits likely arising out of such incremental business. What remains to be measured as benefits, then, is only the rental income on leasing out the locker space. The rental income will be a function of the number and size of lockers leased out, as measured over the life of the lockers and the rates of rental levied on the locker space.

The number and size of lockers leased out or the rate of occupancy will be determined by:

(a) The demand for the various sizes of lockers,

(b) the number of locker cabinets available, and

(c) the mix of the various classes of lockers in the cabinets.

The rates of rental for the various classes of lockers will depend on:

(a) the cost of other alternatives for safe custody available to the customers.

(b) the rates levied by the competitors in locker service, and the space they can supply,

(c) the pricing policy of the bank, and

(d) the price elasticity of demand.

We may note that, the rate of occupancy — influenced by factors listed above — might vary from one class of lockers to another, depending upon the nature and composition of the market in which the cabinet is installed. The nature and composition of the market is related to the class of the locality — such as metropolitan, urban, or rural — and the type of population — such as traders, households, etc.

Maximisation of benefit from a given locker cabinet would, therefore, require (among other things) the ensuring of a mix of lockers of various classes in a given cabinet such that it broadly accords with the expected pattern of demand at the place of installation.

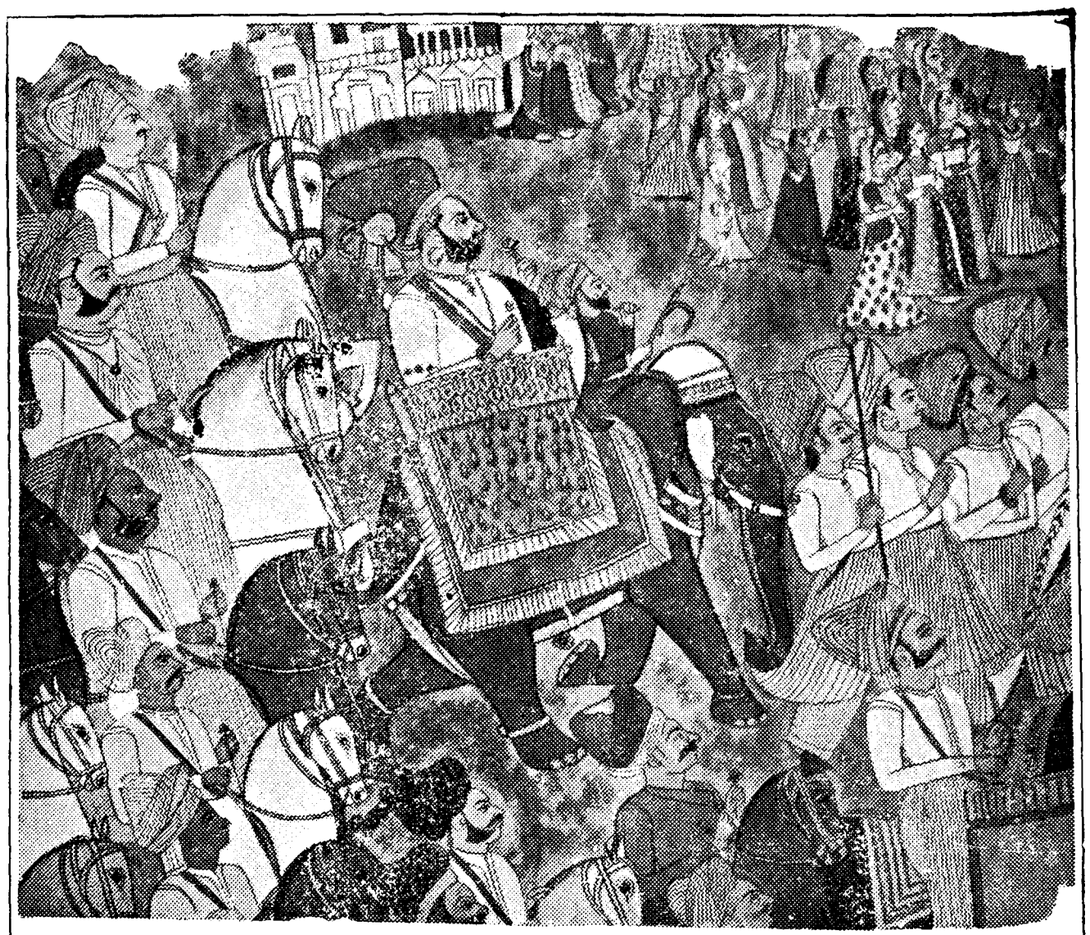
However, Godrej and Boyce (Pvt) who are the manufacturers of locker cabinets make five standard locker cabinets with identical total dimensions (L x B x D) but with varying in the locker mix in five ways. There are 9 classes of lockers — named as A, B, C, D, E, F, G, H, K/L — with different surface areas. Banks buy only one or more of the standard types of cabinets, and invariably do not requisition a cabinet with tailor-made mix of lockers. They mix them to suit the particular demand pattern of the place. This study, therefore, proceeds on the assumption that banks buy cabinets designed by the manufacturers with no say in the size-mix. (It is, however, considered feasible and desirable that terms are worked out with the suppliers whereby banks could have a locker-mix of their choice to suit demand.)

The rates of rent now levied on Safe Deposit Lockers are neither uniform among the banks nor are rationally structured *inter se* various classes of lockers. For example, the State Bank of India levies Rs 12, as annual rent, on class A lockers; the National and Grindlays on the other hand charges Rs 30. Thus a Type 1 A locker cabinet (with 90 A class lockers) brings an annual rental of Rs 2,700 for National and Grindlays Bank under assumption of full occupancy, whereas the State Bank of India nets in only Rs 1,080. Similarly, the rates per square unit, effectively levied on various classes of lockers by the banks, vary irrationally, with no apparent relationship either to the relevant elements of cost or to the feasibility of exchanging space among various classes of lockers.

Ideally, the rates of rental levied on any class of locker should, at its minimum, take care of:

(i) the incremental (and recurring) cost of servicing the locker customer which may be regarded as independent of the class of locker. (We denote this by 'a', being expressed in units of money).

(ii) the feasibility of converting the locker space of one class, either at the purchase stage or thereafter, into that of another (to suit demands) — suggesting the need to reckon the opportunity cost per unit of locker space as uniform, irrespective of the class of lockers. (We denote this as Rs b per square unit of locker surface area.)



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TABLE 1: DATA ON LOCKER UNITS
(Godrej)

Sl No	Type of Locker Unit	No of Lockers		Total	Price Including Taxes	Estimated Freight and Handling	Total Cost
		Class	Number				
(1)	Type 1A	A	90	90	11495	575	12070
(2)	Type 1	A	66	75	10415	520	10935
		C	6				
		F	3				
(3)	Type 2	B	48	52	8439	422	8861
		E	2				
		H	2				
	Type 2B	B	60	60	9153	458	9611
(5)	Type 3	D	28	32	7256	362	7618
		G	2				
		L	2				

Note : (i) Data have been collected from Godrej and Boyce and represent current prices and standards.
(ii) Freight and Handling have been estimated @ 5% in the absence of information on actuals.

(iii) the variance in the capital cost of different types of locker cabinets — the capital cost seems (and reasonably so) to increase with the number of lockers in the cabinet. This should suggest a reduction in the cost of making every unit of higher size (reckoned in relation to the least size) included in the cabinet. (We denote the reduction in the capital cost of a cabinet — in relation to a standard base — as Rs E_i for every unit of the ith class locker included therein, and the annual opportunity cost of this variance as e_i .)

The foregoing should suggest that if R_i denotes the rent levied per annum on the ith class locker, it can be expressed as

$$R_i = a + bA_i - e_i$$

Where A_i denotes the surface area (length x breadth) of the ith class locker, and a, b, and e_i are as explained earlier.

The benefit function would depend on the following variables:

a) the rent levied on each class of locker (R_i)
b) the number of lockers in each (n_i)
c) the expectation on the rate of occupancy of the ith class of lockers (p_i)

Benefit function:

$$B = \sum_{i=1}^{9} p_i n_i R_i$$

Substituting $a + bA_i - e_i$ for R_i) we get

$$B = \sum_{i=1}^{9} n_i p_i (a + bA_i - e_i).$$

As indicated earlier, the sacrifices which the introduction of a locker service imposes upon the bank fall under the following broad categories:

(a) provision of physical facilities for the locker service, and
(b) servicing the customers.

Provision of physical facilities would include:

(a) hiring or constructing additional accommodations,
(b) constructing the strong room,
(c) airconditioning the strong-room and customer-lounge, depending upon the type of locality,
(d) provisioning furniture and fixtures, and
(e) installing as many locker cabinet as the demand justifies, inclusive of accessories like permanent records, etc.

All these involve outlays of funds only once during the life-cycle of the product/assets whichever is earlier. (Where accommodation is hired, which is usually the case, it may be fair to assume that outlays recur every year, uniformly, throughout the life-cycle of the product.)

Expenditures on items (a) to (d) remain fairly constant, irrespective of the number of locker cabinets (normal) range), while expenditures on item (e) would vary with the number of cabinets (and hence with the demand for locker space.)

Servicing customers would involve continuous outlay on labour, material (stationery), and electricity. These outlays fall under the following categories:

(a) fixed period costs *independent* of the number of locker cabinets, like electricity charges, etc,
(b) fixed period costs *dependent* on the number of locker cabinets like repairs, maintenance of the cabinets, etc,
(c) costs varying with the number of locker accounts, and
(d) costs dependent on the number of customer transactions.

The various costs enumerated above involve funds, which would have otherwise gone into the loan portfolio of the bank. Commitment of funds to locker service thus amounts to forgoing the loaning opportunities to an equivalent extent. The cost of the opportunity forgone may, therefore, be indexed by the yield on loans for corresponding amounts and periods. If the yield on loans were 8.5 per cent (net of costs), an investment of Rs 10,000 in constructing strong-rooms amounts to forgoing annual interest of Rs 850 as long as the investment lasts, together with an amount equal to the diminution in the value of the strong-room at the end of life of the asset/service — assuming that there is no other relevant inflow of funds incidental to, or arising out of the investment of Rs 10,000.

The task of measurement, however, does not end with fixing the values of the sacrifices. We can aggregate these values only if they are expressed in relation to a common time-dimension. Thus the outlays on the strong-room or the accommodation or even the cabinets could support operations throughout the life of the service, whereas the furniture may be of use for only 10-15 years. The costs of servicing the customers, on the other hand, fall under current operations only. Constructing a strong room for Rs 10,000 is equivalent to forgoing a loaning opportunity of Rs 10,000 for a period equal to the life of the asset/service. If we assume (as we did) that the loans yield 8.5 per cent, and that the life of the service is 50 years, construction of a strong-room would have an annual cost of Rs 850 to correspond to the annual interest on loans forgone *plus* an amount per annum as would, at 8.5 per cent, accumulate to Rs 10,000 at the end of 50 years to correspond to the principal recovered at the end of

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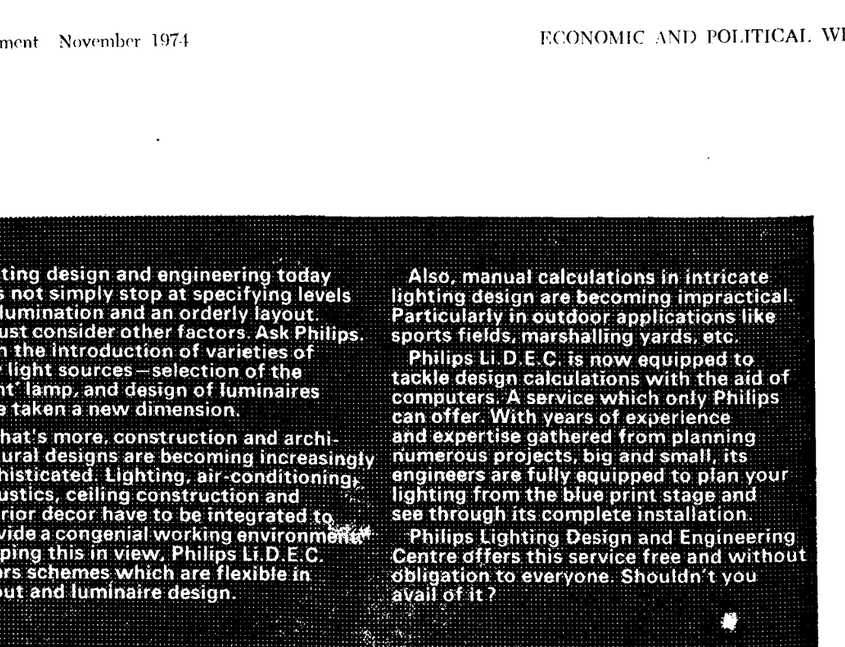
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TABLE 2: ESTIMATED VALUES OF VARIABLES

Name of Variables	Categories of Places I	II	III	IV	Common to all Categories
I Physical facilities independent of number of cabinets					
(a) Strong rooms—annualised cost	365	365	593	730	—
(b) Furniture and fixtures—annualised cost	78	117	234	468	—
(c) Total (m_1)	443	482	827	1198	—
II Annualised cost of standard locker cabinet (m_2)	—	—	—	—	1229
III Fixed annual costs independent of number of cabinets					
(a) Rent for space	—	600	1800	3600	
(b) Electricity charges	60	120	300	600	
(c) Total (c_1)	60	720	2100	4200	
IV Repairs, maintenance, etc, of locker cabinets (c_2)	Assumed as Negligible				
V Rate of occupancy (n)	0.70	0.80	0.90	1.00	
VI Number of locker cabinets (N)	1	2	3	4	
VII Customer related costs					
(a) Annual cost per account (C_3)	0.50	0.50	3.00	3.00	
(b) Cost per transaction (C_4)	—	0.30	0.40	0.40	
(c) Expected number of transactions per annum (t)	6	6	12	12	

the loan term. In such a case, investment in strong-room (assuming that there will be nothing to salvage at the terminal point and no other relevant inflow incidental to and arising out of the investment to account for) breaks even with an equivalent loaning opportunity. It is possible, then, to annualise all onetime outlays (and thus solve the problems of differing time-dimensions) given

(a) the rate of opportunity forgone,
(b) the economic life of asset/service,
(c) the amount of respective outlays, and
(d) the inflows incidental to, and arising out of, the investment such as terminal realisations on assets, taxation benefits arising out of depreciation, development, rebate, etc.

We may now measure the sacrifices as the aggregate of the annual/annualised costs, reckoned on the basis of opportunities forgone.

Total (relevant) cost of locker business will, at the first stage, break down as:

(a) cost of facilities required for being in locker business (f), and
(b) cost of being of service to customers (s).

Cost of facilities (f) will break down as

(a) facilities independent of the number of locker cabinets (locker space demand), — f_1, and
(b) facilities dependent on locker demand — f_2.

Facilities independent of the locker cabinets will break down as:

(a) annualised opportunity cost of one-time outlays — strong room, furniture and fixtures, and construction of accommodation if involved, etc (m_1), and
(b) fixed annual costs, such as rent where the premises are additionally hired, and electricity (c_1) such that $f_1 = m_1 + c_1$

Facilities dependent on locker space demand will break down as:

(a) annualised opportunity cost of one-time outlays — locker cabinets, permanent records with locker cabinet, etc,
(b) fixed annual costs such as repairs and maintenance of lockers, safe deposit vault registers, etc.

The annualised opportunity cost at (a) above will vary with the capital cost of the various locker cabinets. This variance, we observed earlier, is largely explained by the one in the size-mix of lockers. More particularly, we stated that inclusion of every unit of the higher-size lockers in a cabinet is followed by a reduction in the capital cost, as the consequent reduction in the total number of lockers entails less consumption of material and labour (Table 1).

A class locker has the minimum size, and type 1 A cabinet has the maximum number of lockers, all being of class A. We now define Type 1 A cabinet as the standard type, and class A locker as the standard class. Then we have:

$$M_r = M_1 - \sum_{i=1}^{9} n_i E_i$$

where

(i) M_r represents the capital cost of rth type locker cabinet, $r = 1$ representing the standard type — viz, Type 1 A
(ii) M_1 is the capital cost of Type 1 A
(iii) E_i represents the reduction in the capital cost of the standard type cabinet due to the introduction of one unit of class locker to replace corresponding standard class (A) space: $E_i = 0$ when $i = 1$
(iv) n_i represents the number of lockers in the ith class

If we define a quantity m_2 as to represent the annualised opportunity cost of standard type (Type 1 A) corresponding to capital cost M_1 and a quantity e_i as to represent the annualised value of E_i, then the annualised opportunity cost of any type of locker cabinet will be given by the expression:

$$m_2 - \sum_{i=1}^{9} n_i e_i$$

And if there are N locker cabinets of varying types such that $N = \sum_{r=1}^{5} N_r$ (where N_r represents number of locker cabinets of rth type), then the annualised opportunity cost of the pool will be equal to: $Nm_2 - \sum_{i=1}^{9} n_i e_i$

The fixed annual cost on repairs etc referred to at (b) above may vary, rarely though, with relation to the type of the cabinet. Let this be defined as K_r for r^{th} cabinet. Then the cost of facilities dependent on number of locker cabinets (f_2) will be:

$$f_2 = Nm_2 + \sum_{r=1}^{5} N_r K_r - \sum_{i=1}^{9} n_i e_i$$

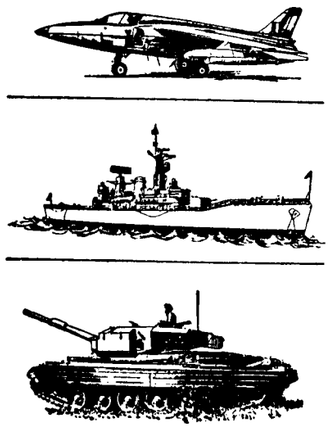
Cost of being of service to customers breaks down as

a) fixed annual costs per customer account (c_3), and
b) costs varying with number of times customer operates the locker (c_4) such that

$$S = \sum_{i=1}^{9} n_i p_i (c_3 + t_i c_4)$$

Where t_i is the expected number of operations per year by the ith class locker customer; and n_i and p_i have

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meanings as defined earlier.

$$C = f + s = f_1 + f_2 + s$$

That is:

$$C = m_1 + c_1 + Nm_2 + \sum_{r=1}^{5} N_r K_r - \sum_{i=1}^{9} n_i e_i + \sum_{i=1}^{9} n_i p_i (c_3 + t_i c_4)$$

Price-Cost Relationship

The basic rate per unit of locker space (b) should be such that

$$\sum_{i=1}^{9} n_i p_i (a + bA_i - e_i) > m_1 + c_1 + Nm_2 + \sum_{r=i}^{5} N_r K_r + \sum_{i=1}^{9} n_i p_i (c_3 + t_i c_4) - \sum_{i=1}^{9} n_i e_i$$

This inequality then defines the relationship between the floor price and relevant costs.

We defined above two types of customer-related costs; c_3 representing the annual fixed cost per customer account irrespective of the class of locker and transactions, and c_4 representing cost per transaction. We also defined a variable t_i as to denote the number of transactions per period by a customer of ith class locker. Now, the experiences at the banks suggest that the number of times a locker customer calls in a year has nothing significantly to do with the class of locker he holds in the normal course. In that case t_i would tend to be equal to t, uniform for all customers and the customers related annual cost as equal to $c_3 + tc_4$.

The component of rental towards meeting the incremental cost of servicing, denoted by 'a' could then be approximated as $c_3 + tc_4$, estimating t as close to the mean of its distribution. The inequality developed above will, in the light of the above, reduce to:

$$b > \frac{m_1 + c_1 + Nm_2 + \sum_{i=1}^{5} N_r K_r - \sum_{i=1}^{9} n_i e_i (1 - p_i)}{\sum_{i=1}^{9} n_i p_i A_i}$$

Table 3: Estimated Reduction Factors

Class of Locker	Chargeable Area (in sq inch)	Variance in Chargeable Area (in sq inch)	Capital Cost Reduction Factor Per Unit (E_i)	Annualised Value of Reduction Factor (e_i)
A	26	0	0	0
B	42	16	40.0	3.60
C	58	32	80.0	7.30
D	66	40	100.0	9.10
E	92	66	165.0	15.10
F	136	110	275.0	25.10
G	139	113	283.0	25.80
H	196	170	425.0	38.80
K/L	306	283	707.0	64.50

Note: (i) The values are estimated on the hypothesised relationship

$$M_r = M_1 - \sum_{i=1} n_i E_i$$

(i) This yields a result of Rs 2.50 reduction for increase of every sq inch in the chargeable area of the locker.

(iii) The expected values of various types of cabinet arrived at on the hypothesised equation, and the actual prices almost match.

(iv) The value of the standard type is taken as Rs 12,070.

This expression establishes the value of b; and R_j are given by

$$R_j = a + bA_i - e_i$$

For simplicity, however, we may introduce the following assumptions which nevertheless, accord to theoretical reasoning.

i) The *a priori* expectation on rate of occupancy, p_j should not vary substantially with the class of lockers, and if they were to be so, the bank could regulate the supplies (locker mix) to take care of the variance. This suggests that p_i tends to p.

ii) Banks instal locker cabinets only at places where the demand therefor is substantial (existing or potential) such that value of (1—p) is small, and consequently

$$\frac{\sum_{i=1}^{9} n_i e_i (1 - p_i)}{n_i p_i A_i}$$

appearing in the inequality above tends to be trivial.

iii) The fixed annual costs of repairs and maintenance of locker cabinets, represented by k_r, contains an element constant for all types of cabinets (such as safe deposit vault register, painting the cabinet, etc) and another element which may be a function of the number of lockers each cabinet consists of. Repairs and replacements attributable to the delinquence of the customer are made good by them. Therefore, items of repairs and maintenance which could cause a cash outflow from the bank may be regarded as independent of the type of cabinet, suggesting constancy of k_r for any 'r' as equal to (say) c_2, and the expression

$$\sum_{r=1}^{5} N_r K_r$$

as equal to Nc_2.

We may note that partial invalidation of any of the assumptions listed as (i) to (iii) above is not going to materially alter the value of 'b' which we want to establish. With these assumptions, the inequality reduces to:

$$b > \frac{(m_1 + c_1) + N(m_2 + c_2)}{p \sum_{i=1}^{9} n_i A_i}$$

Although, the different types of cabinets have overall uniform dimensions, the chargeable area, comprising the actual locker space, seems to vary from 2340 sq inch (Type 1 A) to 2740 sq inch (Type 3). This again arises out of accommodating different assortment of lockers in the cabinets the impact of which will be taken care of by the process of estimating the reduction factor E_i. In that case, we may approximate

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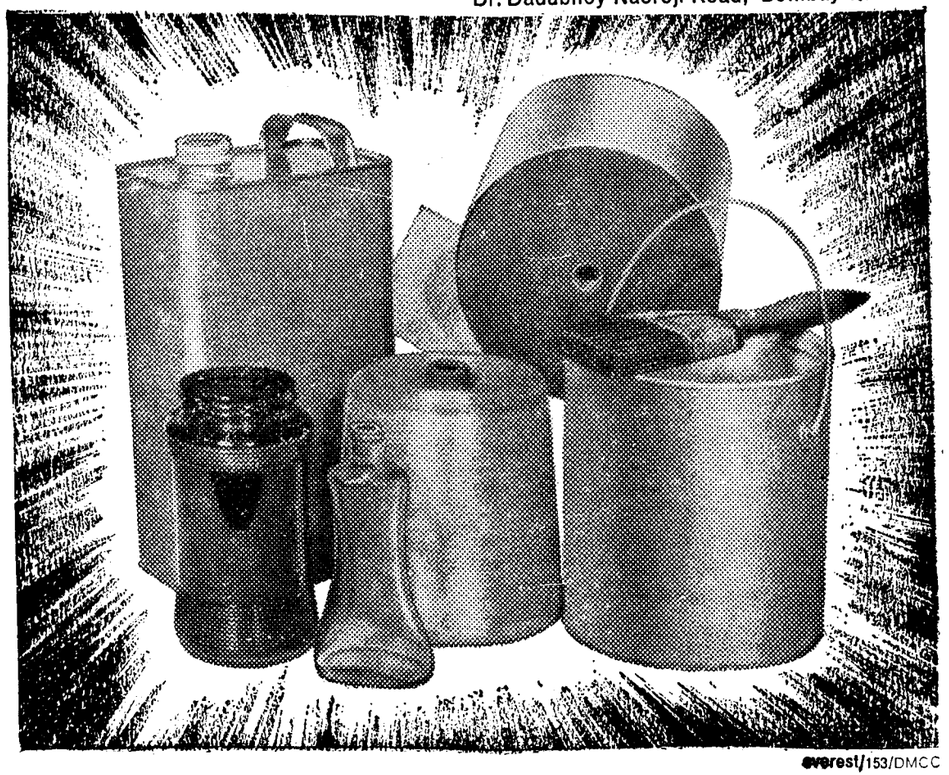
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TABLE 4: ILLUSTRATIVE SCHEDULE OF RENTAL RATES

	Category I	Category II	Category III	Category IV
1 Opportunity rate per sq inch (b)	1.05	1.01	1.01	1.09
2 Fixed Annual levy towards Servicing (a)	0.50	2.30	7.80	7.80
Rental Rates per annum				
A	28	29	34	36
B	41	41	48	50
C	54	54	59	64
D	61	60	65	71
E	82	80	86	94
F	118	115	120	132
G	120	117	122	135
H	168	161	167	185
K/L	257	247	252	280

$$\sum_{i=1}^{9} n_i A_i$$

as equal to NA where A represents the chargeable area of the standard type cabinet (Type 1 A). The inequality will then be

$$b > \frac{(m_1 + c_1) + N(m_2 + c_2)}{PNA}$$

The model developed above throws out the following as the most critical variables influencing the pricing of the locker service:

(i) the annualised cost of one-time outlays on physical facilities (m_1) and on equipments (m_2 and e_i)
(ii) the fixed annual costs independent of and dependent on the number of locker cabinets (c_1 and c_2)
(iii) the actual number of locker cabinets (N) or the volume of demand for locker service
(iv) the expected rate of occupancy (p)
(v) the incremental servicing cost and expected number of transactions (c_3, c_4 and t).

The values of m_1 and m_2 will be influenced by:

(a) the opportunity cost of funds which, at the moment, corresponds to the yield and loans.
(b) cost of constructing the strong room and of buying and installing the locker cabinets, furniture and other fixtures.
(c) the price variance attributable to size mix of lockers.
(d) the economic life of assets and of service and the normally expected pay back period adopted for investment decisions by the Institution.
(e) inflow of funds arising out of and incidental to the investments in assets such as expected realisable value at close down point, tax savings[1] due to depreciation, development rebate, etc.

Given the outflows of funds by way of costs and incidental inflows, the time-horizon over which the investments are to be salvaged and the rate of opportunity forgone, it is possible with the help of ready-made tables to annualise the costs, and fix the values of m_1 and m_2. The following points need, however, to be taken care of:

(i) The yield on loans adopted for the purpose of annualisation of costs should truly reflect the incremental opportunity forgone by the bank by locking up funds in the Safe Deposit Locker Service instead of adding to the loan portfolio. In other words, it should be capable of adding to revenue what an incremental loan of equal magnitude could have done. This rate should, therefore, distinguish itself from the average yield.

(ii) The outlays on construction of strong norms and provision of furniture are likely to vary, substantially, from one centre to another, and more particularly as among metropolitan urban and rural. This disparity can, perhaps, be taken care of by grouping centres into three or four categories, each of which will comprise places in which costs fall within a conscionable range. The obvious implication would, however, be to set differential floor prices varying with the type of localities, to be defined and grouped.

(iii) Estimation and subsequent revisions of annualised costs (m_1 and m_2) become easy wherever banks have laid down standard specifications for (a) physical space needed (b) construction of strong rooms, and (c) provision of furniture, airconditioning, etc. Such specifications may take into consideration the needs and possibilities of groups of centres implied in, (ii) above. This may be necessary for other interests of control.

(iv) The time horizon with reference to which the costs are annualised should be the least among the economic life of the asset concerned, the expected life of the Safe Deposit Locker Service itself or the pay back period adopted by the institution for its investment decisions.

Table 2 furnishes the values of m_1 and m_2 on the basis of the following data and assumptions.

(1) The rate of opportunity forgone, *viz*, the yield on loans, is taken as 9 per cent. Ignoring the lendings at concessional rates which the banks are obliged to make to certain sectors of the economy, the free lendings are at a gross rate of 11 per cent which, after providing for costs of, and lags in making, the loans, yields around 9 per cent.

(2) The commercial banks do not appear to have laid down expectations on pay-back periods for their investment decisions as such occasion could seldom arise. The product life of Safe Deposit Locker Service can, on the other hand, be taken as indefinite, close to perpetuity, on the basis of conditions obtaining today. The expected lives of the physical assets have, therefore, been chosen as the respective time-horizons for annualisation. These are 50 years for accommodation and strong-room, 25 years for locker cabinets, and 10 years for furniture and other fixtures.

(3) The terminal salvage value has been assumed as nil.

(4) Inflows on account of tax savings, etc, have also been taken as nil for reasons explained,* keeping public sector banks in mind.

* During the informal discussion of an earlier draft with the representative of one of the banks in the Public sector, it was pointed out to the author that the illustrations did not take into consideration the depreciation on assets and the resultant tax advantages. While depreciation is not relevant in the context of annualisation based on the economic life and salvage value of the asset, the tax advantage would amount only to a book-keeping adjustment in the case of public sector banks. In the case of banks in the private sector, however, the tax savings become relevant.

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(5) The data from a sample of branches in Bombay suggested that the cost of construction of strong-rooms (excluding cost of space) ranged between Rs 6,500 and Rs 8,000 and of furniture and fittings from Rs 1,500 to Rs 3,000. In urban and rural centres, these costs must be substantially less. A reasonable assessment of these costs is possible if the banks were to lay down specifications as suggested earlier. For illustration, we have categorised the localities into four groups and alleged costs as under:

Places	Construction of Strong Rooms	Furniture and Fixtures
Category I	4000	500
Category II	4000	750
Category III	6500	1500
Category IV	8000	3000

(6) The cost of the standard cabinet (Type 1A) has been taken as Rs 12,070.

Based on the existing prices of locker cabinets (shown Table 1) and the factors determining facilities offered for locker-space demand, the cost reduction factors (E_i) have been estimated in Table 3. The annualised values of these factors (e_i) with reference to the same parameters as for the one of the locker cabinet (m_2) are also juxtaposed.

The fixed annual cost independent of the locker cabinet (c_1) consists mainly of rent for the premises and consumption of electricity for lighting and air-conditioning. Both these items are likely to vary substantially in relation to locale. At metropolitan places like Bombay, the space required for housing the cabinets (observed from a sample of branches as varying from 150 to 300 sq ft) may cost at least Rs 1 per square foot. Space can be obtained considerably cheaper in ordinary urban centres and may not cost anything, in the incremental sense, in rural centres. Similarly, electricity charges are observed to vary in a sample of city branches from Rs 25 to Rs 50 per month depending on the space, airconditioning, etc. We have, for illustrative purposes, adopted the fixed annual costs partly based on observed data and partly on assumptions.

It is possible for the banks to estimate fixed annual cost independent of locker-cabinet on a fairly accurate basis given the area requirements at going market rates, electrical fittings, and equipments, etc. In doing so, care should be taken to ensure that costs which are not causated by the provisioning or commissioning of locker service are not imputed. For example, if no accommodation is to be additionally hired to house the locker cabinets, as might happen in rural and semi-urban branches, the cost (incremental) on rent is nil. Similarly, were the electricity bill to be the same, irrespective of the locker service, no portion of the total bill need to be imputed into the locker cost; and so on. The same concept of incremental reasoning applies in respect of the customer related costs also.

The annual cost, dependent on the number of locker cabinets, has been assumed as negligible based on the data of a few Bombay city branches.

The operations of the SDL as observed from the data at a few branches would suggest that it may take 30 minutes a year to just maintain a customer account and around 5 minutes for every transaction.

In some banks attending to the locker-customer is the original duty of an officer, usually the Accountant. The addition of a locker service at a small branch may not result in an extra Accountant having to be provided, and therefore the customer-related costs (wages only) may be nil in an incremental sense. In larger branches, however, the additional work-load may determine the number of accountants, and so may be relevant. The consumption of stationery is estimated at 0.50 per account per annum.

On the basis of data as above, we have estimated the customer-related costs. Other assumptions are:

(i) the rate of occupancy in respect of the four groups of places are 0.70, 0.80, 0.90 and 1.00, the last two being validated by data from a sample of branches.

(ii) the demand for locker cabinets has been assumed as 1, 2, 3, 4, respectively for the four groups of places.

(iii) Number of transactions per year is observed at 12 for categories III and IV, and is assumed to be 6 for I and II.

The annual rental rates, established on the basis of values of variables as estimated above, are floor rates below which the banks might be making a sacrifice on the net; and the actual prices will be determined by the market factors.

Conclusions

The crucial assumption is that the locker service does not contribute any significant addition to the business in the other lines of banking activity. This must be true for most metropolitan branches — and it is here that the banks have commissioned the bulk of their locker service. Wherever the banks feel the locker service would add to other business, it is possible to make use of the same model to establish the floor prices. To be precise, if P represents the contribution out of expected incremental business, the inequality would look like:

$$b > \frac{m_1 + c_1 + N(m_2 + c_2) - P}{pNA}$$

The sensitivity of locker service to add to other business may be taken as one of the criteria in grouping centres.

It is possible to offer specially competitive rates at places where the demand generated would be such that a larger number of locker cabinets can be installed, for, as N increases the floor rate falls.

The major advantage of establishing the functional relationship between the critical cost variables and the floor price is that it is capable of signalling to the management the time when a revision of rates is justified or necessary. Although the critical variables in this situation — namely the loaning rates, the salaries of bankmen, the price of locker cabinet, the rentals of space and cost of construction of strong rooms — have all undergone incomparable changes during the last two decades, yet the banks do not seem to have revised the rates commensurately during this span of time. Were the assumptions behind the rental schedule, as worked out in Table 4, true, the drain on the revenues resulting from the present below-cost pricing is enormous. The banks must be losing around Rs 10 lakhs per year for every 500 cabinets in metropolitan cities.

The consequences seem more alarming when we realise that the benefit is funnelled out to the section of the society which, being relatively more affluent, does not deserve it. Avoidance of such a loss could actually subsidise financing Rs 2 crores (for every 500 cabinets) under the Differential Interest Rates scheme. It may be necessary that, as far as possible, we try to match our practice with policy.

[This paper was developed out of a study conducted by the author for one of the banks at the National Institute of Bank Management. He was helped in the study by Saurabh Mehta (NIBM) and some of the officers of the bank concerned. The author is grateful for the useful comments made by R Bandyopadhyay and M S Subbaraman during the course of the study.]

Evaluating Advertising Effectiveness

Sanat Lahiri

The search for measures of advertising effectiveness has been on for years. A number of questions have been raised: Can advertising be measured at all? What is to be measured. What criterion of effectiveness is to be applied? How is it to be measured?

This note seeks to consider some of the relevant issues, identify a few of the stumbling blocks in understanding them, and suggest the direction in which future research might be undertaken.

MUCH of the serious discussion among advertising professionals can be invariably found treated in Rosser Reeves' best-seller: "Reality in Advertising". If this article on evaluating the effectiveness of advertising opens with a passage from that classic work, it is merely because Reeves has already exposed in a succinct and apposite manner the fundamental issues in advertising.

Uncovering some advertising truths, he writes:

> 'A famous company president once said:
> "Advertising, to me, is really one of the mysteries of American business. I can inventory my stock. I can calculate the cost of my factories. I can figure my taxes, estimate my depreciation, determine my sales cost, derive my return per share. Yet, there are times when I spend as much as $ 18,000,000 a year on advertising — and have no idea what I am really getting for my money".
> 'He is not alone. Advertising, far too often, is a mysterious vortex into which millions of dollars are poured every year. These dollars swirl down and around and are sucked out of sight; and at the end of the year, company officials are often left to guess just what it was they bought with these heavy disbursements.
> 'One of the world's largest manufacturers put it another way. He said:
> "I know that at least half of my advertising money is being wasted. My problem is — I do not know which half".'[1]

Yet, why do people continue to advertise? According to one writer, it is largely because of their vague fear of what might happen if they didn't.[2]

This, then, is the problem before top management today. Hard pressed, on the one hand, with the escalating cost of raw material, salaries, and wages, and the higher taxes, on the other, they find it extremely difficult to justify continuously increasing advertising expenditure. Still, while admitting that advertising *does* make a difference, they are nevertheless sceptical of *how much* difference it makes — and primarily because they are unable to find absolute measures of effectiveness.

The search for measures of its effectiveness has been on for years. A number of questions have been raised: Can advertising be measured at all? What is to be measured? What criterion of effectiveness is to be applied? How is it to be measured?

Answers to these queries have been ventured and I propose to consider some of the relevant issues, identify a few of the stumbling blocks in understanding them, and suggest the direction in which future research might be undertaken.

To quote Russell H Colley, a leader in the measurement of advertising:

> "A big stumbling block is the word 'measurement'. Those who expect to find a formula which will accurately relate advertising efforts and short-term sales results will, with a few rare exceptions, be disappointed. But the answer to the question 'Can advertising be evaluated?' is unreservedly 'Yes'."[3]

The distinction between *measurement* and *evaluation* is not merely a semantic matter — of the former suggesting precision and the latter appraisal or estimate. To measure advertising effectiveness would mean quantifying the effect of the complex communication process, involving message, media and market. With so many variables over which the advertiser cannot hope to have complete control — not to mention, the intangibles of 'creativity' — the measurement of advertising *per se* is well nigh impossible. But evaluation, which is a less direct method of assessment, can certainly be undertaken. For, evaluation is, after all, a way of *setting a value* on something. And it is quite possible to 'establish a value on advertising's contribution in achieving specific communications obectives and ... to relate this value to the selling effort required to accomplish the overall sales-marketing goals for the particular product.'[4] It is relatively easier to measure the effectiveness of particular *advertisements* than the overall effectiveness of *advertising*. In fact, it is in the area of measuring the effectiveness of specific advertisements that much of the progress in advertising research — in methods and validity — has been made. Pre-testing and post-testing of individual advertisements is undertaken in a large number of cases, and the pioneering work of Gallup, Starch, Schwerin and others — even their Psychogalvanometers, Polygraphs, Audiometers, figure drawing techniques, Rorshach Ink Blot and Thematic Apperception Tests and the 'Eye Camera' and similar gadgets — all testify to the level of sophistication and the striving after accuracy.[5]

Measuring the overall effectiveness of advertising, however, is another question.

> 'Although partial measurement of result is nearly always possible, one is seldom able to measure *all* of the effects of advertising. At times, some of the results are so slow in materialising, that they cannot easily be traced to specific advertising efforts. These results must be measured over long periods of time, during which marketing factors other than advertising may influence them. At other times, the results of advertising are quite subtle and elusive, making measurement most difficult.'[6]

However, the pre-testing and post-testing of individual advertisements, taken together, can provide some insight into the overall effectiveness of the advertising. Beyond that, while advertising cannot perhaps be measured, it can be evaluated.[7]

In using sales as the ultimate criterion of advertising effectiveness, we are committing a common fallacy. Left to themselves, most marketing managements would undoubtedly opt for sales, as this is the yardstick applied to other marketing functions and it speaks the language easily understood by them. Admittedly, advertising is an enormous factor in making sales. But the relationship between advertising and sales is hardly a *direct* one. Sales are a function of many factors, of which advertising is but one. Advertising rarely works in isolation, or even as the single most important factor in promoting sales: distribution, price, packaging and many other factors are also instrumental in effecting sales. Measuring the sales effectiveness of advertising would mean isolating the partial effect which advertising has on sales from the multiple and interrelated effects of all the other elements in the marketing mix. Such an attempt, it has been found, requires unlimited time and money,

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without any definite hope of a reasonably precise result.[8]

It is, indeed, this inadequacy of sales as a criterion of advertising effectiveness that faults many of the theoretical frameworks that have been formulated from time to time to explain what advertising does and how it works. It is important to realise that an acceptable theory of advertising is nevertheless a prerequisite for evolving suitable techniques of measurements. For, techniques of advertising research depend on the theories of advertising which they represent; the adequacy or otherwise of the theory will therefore determine the validity of the measurement. A look at some of the theories would explain why little headway has been made in evaluating the effectiveness of advertising.

The earliest theory of advertising was put forward by Daniel Starch in 1925. According to him, the successful advertisement is one that is 'seen, read, believed, remembered, and acted upon'. Although Starch did attempt to spell out the different stages of the consumer's involvement with a press advertisement, he ignored the product altogether. Besides, he assumed that the effect of successive exposures to the same advertisement did not 'build up' or interact with different advertisements in the same campaign.[9]

This 'build up' was accounted for by the DAGMAR theory of Defining Advertising Goals for Measured Advertising Results. According to this theory, all commercial communications must carry a prospect through four levels of understanding. These are: from 'unawareness to awareness, awareness to comprehension, comprehension to conviction, and from conviction to buying action'. Here the assumption is of a one-way flow of progression from message reception to overt behaviour. But this sequential order is questionable and there is no reason to believe that movement up each step of the hierarchy does, in fact, increase the probability of purchase: action may take place without belief or conviction. The internal psychological process which a typical consumer is supposed to experience — from the perception of an advertisement to purchase of the product — may, in fact, be quite different from what has been so neatly hypothesised, for every purchase decision is not necessarily a calculated rational act.[10]

A more realistic approach is that of Rosser Reeves. He defines advertising as the art of getting a Unique Selling Proposition (USP) into the heads of most people at the lowest possible cost. His method of measuring the effectiveness of a campaign — without reference to deals, distribution, pricing and other marketing variables — is to find out the number of customers who read and remember the advertising for the product, as against users who are not aware of it. The difference between the 'pulled' and the 'unpulled', according to Reeves, is a measure of advertising effectiveness, because this figure indicates those customers who know the advertising.

Reeves elaborates his theory by introducing the two concepts of Penetration and Usage Pull. The number of consumers into whose heads the USP has registered represents the penetrated people. The number of customers who have been pulled over to the usage of the product through the advertising represents the pulled-over people. Reeves' formula is to conduct a continuing series of penetration and usage pull studies, both for the brand in question and for competitors.

Now, it cannot be denied that these theories, crystallised after 20 years of intensive research in the packaged goods field, do afford the first objective look at the advertising craft. But Reeves' facile presentation requires a closer scrutiny of some of his concepts. For one thing, is it sufficient to assume that users of the product who know your advertising have been pulled over *because of* the advertising? What is the relationship between recall and usage? One could think of instances where the two are not at all connected in any direct manner. For another, as Reeves himself admits in footnote, penetration is not a perfect research tool. There are important statistical considerations, such as feedback and correlation, which have to be taken into account. Thirdly, Reeves is content with whatever claim or proposition that may be registered in the 'consumer's brain box' as a measure of recall. But when it comes to elaborating his concept of the USP — the proposition which is to register — Reeves stretches it to include the 'totality projected by the advertisement', i e, the complex of visual and verbal elements that is played back by the consumer. Obviously, Reeves would like to have the cake and eat it as well: in practice, leave the USP simple and easy enough for quick measurement, while theoretically conceptualising dimensions that cannot be denied by reality!

One gets the feeling that Reeves is tied down by the ultimate need to relate advertising to sales. The techniques of purely verbal recall, penetration studies, and so on, give the impression of a linear approach which has somehow missed out on the intangibles of feeling, mood, and image, which are no less a part of the reality of advertising.

For emphasis on non-verbal means of communication — the creation of moods and feelings — one has to turn to David Ogilvy's philosophy of Brand Image. According to Ogilvy, every product must be given 'a first class ticket through life'. This would help distinguish it in the public mind from other identical products. And in his inimitable style, Ogilvy was able to give a first class ticket to brands he helped advertise, whether it was a Hathaway shirt or a Rolls Royce car. Herein lies the strength and weakness of Ogilvy. His methods of demonstrating his idea were so peculiarly individual that no body of principles could easily be derived from them for others to follow! Moreover, Ogilvy did not set himself the task of explaining how advertising works or how it could be evaluated.[11]

The task of developing the image idea into a full-fledged theory of advertising was left to Stephen King. According to King, advertising works by adding 'values' to the functional ones already present in the brand. His theory, based on research among British housewives, is that consumers tend to view brands as having consistent personalities.

In a recent series of interviews with housewives, when they were asked to imagine certain brands as people, some described Lifebuoy as rather abrupt, Tide as gruff and ex-army, and Camay as a bit catty! A brand may be seen by some as happy and contented; others who probably condemn these values may find it dull and lacking in ambition. Brand image, then, is not necessarily a *single*, clearly discernible, one. Yet, however blurred or confused, consumers view brands as personalities more vivid than products.

The sources of a 'brand personality' could be the pack or some physical element of the product or even advertising. It could be a blend of efficient marketing, leadership, innovation, improvements, positive approach, and similar values. It is when the non-functional values are integrated with the physical and functional attributes, that the brand acquires a dominating and clear personality.

Viewed in this light, the role of advertising in transforming apparently like products into brands with distinctive and individual personalities should be clear. Thus, by being a primary means of expressing *the total personality of the brand*, advertising becomes an important element within the added values. Advertising helps to tie together all the elements of communication —

name, style, pricing, promotions, and the like — with the physical product and the pack, and gives the brand personality a coherent totality. By appealing to the senses, the reason, and the emotions, advertising enables the brand to stand out as immediate and constantly unique.

Once advertising is understood to oprate in this manner, it becomes easier to judge the contribution it makes. One can ask: Does it enhance the brand's total personality? Does it contribute to the blend of appeals to the senses, the reason and the emotions? Does it bring the brand into the front of the mind? One advantage of such an approach is that the objective setting becomes at once specific and well-directed in terms of the given communication task. All too often advertising is given vague, ill-defined, goals or aims which it is not qualified to fulfil. To allow evaluation, advertising objectives will have to be set down in terms of: What we want consumers to notice about the brand through the senses; what we want them to believe about it; what we want them to feel about it.[12]

Secondly, use of research then becomes meaningful and relevant. Much of the research effort of the past has consisted of attempts to test the different elements in communication, in isolation. But a campaign, like a brand, is not a lot of bits. It is a complex blend of elements and the relationship between them is as important as the elements themselves. There is no point, therefore, in a name test or pack test, independent of the totality of the brand personality. Nor does it make sense to undertake single exposure tests, whose results are based on short-term brand-switching, because the values are added not overnight but in the long run. Again, mere head-counting is of little help, for brands are living things with personalities. The right balance of qualitative and quantitative research will have to be struck.[13]

The basis for a balanced approach is provided by King's rounded theory. His framework, derived from facts and principles — not opinion or supposition — accommodates both claims and feelings, the concrete, and the intangible. It acknowledges the consumer, not merely as a buying animal or a brain box, but as a human being with sensuous, rational, and emotional faculties.

For the first time in advertising history, we have a carefully worked out theory of what advertising does, how it works, what it can contribute and what criteria can be applied to evaluate its effectiveness. With this as a starting point, techniques of research will have to be developed to answer the relevant questions. If attempts at measurement of advertising effectiveness move along these directions, a definite beginning will have been made. Advertising will have then become truly a profession and its practitioners confident enough to face the management query: What return do we get from our advertising expenditure?

Having reviewed the progress of advertising research, seen some of the stumbling blocks in the way, and arrived at a theory of advertising that explains its working and effect, where do we go from here? In the Indian context, where we are just beginning to scratch the surface of the problem of evaluation and measurement, much of what is said above might appear remote and theoretical. But, as I have tried to stress, a proper theoretical base is essential to any meaningful use of research. At this stage of development in Indian advertising research, it is most important that we know how far we have travelled and where we are heading.

As we take stock of what has been done and what remains to be achieved, I think each one of us should develop a sense of our individual responsibilities. As I see it, we have three responsibilities: First, we must ourselves, as practitioners, be quite clear of the role of advertising in the marketing of a product or service. We must know, in a realistic manner, what advertising can or cannot do, and what can or cannot be measured and evaluated. We must have more than nodding acquaintance with the tools and techniques of research. This is a continuous process because the consumer, who ultimately keeps us in business, is constantly changing and, therefore, all the forces that influence the change, the media, and the modes, must be our perennial concern.

Our second responsibility is to our management. We cannot afford to treat lightly the increasing number of doubting Thomases among top managements and marketing management circles. We must be able to acquaint them — 'educate' them, if you like — with the realities of advertising evaluation and measurement. And we must ensure that they *understand* the role of advertising in marketing and what advertising can or cannot do. This will not only help us in getting advertising established as an integral and essential part of professional management, but more importantly, our accountability.

Our third responsibility is to *apply* our knowledge in our work and thus close the gap between promise and performance. Advertising is not a body of abstract theory. Unless it is able to establish its value in the 'plebiscite of the market place', unless it is in a position to establish its contribution as a marketing tool, unless it is able to prove beyond reasonable doubt that it is the most effective and economic means of persuading the consumer, advertising will continue to be suspect.

It is in the fulfilment of these responsibilities that we, the practitioners of advertising — as advertising managers in companies, as account executives, media planners, and people who create advertising in advertising agencies — shall be helping to get advertising accepted as a profession and a discipline.

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Futurology and Public Systems Analysis

A Major Social Need

J G Krishnayya

The Indian intelligentsia may be timid in some matters, but it has never shrunk from the establishment of new research institutions.

A sympathetic review of the work of these institutions would find a lot of solid data on the way things are (or were) and some analyses and judgments on who is benefiting how much, and why. A critical review, on the other hand, might assess the facts and framework as static and past-oriented and the reports as reflecting a judicial and "outsider-critic" posture, rather than that of a participant who faces all the constraints of the real-world situation.

The purpose of this brief note is to point to the urgent social need for institutions which will effectively work on the analysis of public policy and design of public systems along with surveys of the alternative futures which may befall us.

ALVIN TOFFLER's book "Future Shock" has made many readers aware of the rate of social and technological change that is overtaking the world. Today even India has a national Panel on Futurology. Various projections have been made by some researchers of India for the year 2000. For the state of Tamil Nadu, for instance, one of these predicted that by 2000 AD one in every three families would have a motor car. Maybe. My purpose in this essay is to point to the urgent social need for institutions which will effectively work on the analysis of public policy and design of public systems along with surveys of the alternative futures which may befall us.

The Indian intelligentsia may be timid in some matters, but it has never shrunk from the establishment of new research institutions. Thus, a brief glance at the Ahmedabad telephone directory reveals the Institute for Cooperative Management, the Gujarat Institute for Area Planning, The Sardar Patel Institute of Economic and Social Research, all new since 1968, alongside such venerable bodies as the IIMA and the University. In other capital cities throughout India there are Social Institutes and Economics Institutes and Political Science Institutes, all doing research on the problems of growth, economic development and social change. A sympathetic review of their work would find a lot of solid data on the way things are (or were) and some analyses and judgments on who is benefiting how much, and why. A critical review on the other hand, might assess the facts and framework as static and past-oriented and the reports as reflecting a judicial and "outsider-critic" posture, rather than that of a participant who faces all the constraints of the real-world situation.

Have these institutions, has this economic and social and political research had an influence on public policy in India? Surely it has had some influence (for example, Dandekar and Rath's report, in focusing attention on poverty in India). But has it had influence in the sense of bringing about policy A as against policy B? After an exhaustive study of social science research in India over the past two decades, the economist Raj Krishna, at least, has come to the conclusion that the influence has been marginal.[1]

Characteristics of Effective Institutions

On the other hand, there have been institutions abroad, conducting what might appear to be similar research, which are generally accepted to have had a significant effect upon public policy. These are the Rand Corporation, the Institute for Defence Analyses, the Urban Institute, and Resources for the Future in the USA and such organisations as the Weizmann Institute in Israel, the Nomura Institute in Japan, the International Institute for the Management of Technology in Italy, the Institute of Development Studies, the Science Policy Research Unit and the Institute for Operational Research (Tavistock Institute) in UK. What is it about these organisations that distinguishes them? One analyst[2] calls them a 'social invention', which happened in order to provide analytic assistance to government agencies in the resolution of public policy issues. They have certain other common characteristics: They are independent of government though concerned about policy issues; they are non-profit by charter; they are not primarily educational in purpose; they have a broad study charter; they are multi-disciplinary in staff; they are future-oriented; they use a systems approach; they develop and maintain long-term relations with one or more agencies of government.

These characteristics do also fit to a large extent some existing institutions in India, most notably the Centre for Management in Agriculture (CMA) at IIMA and the National Council for Applied Economic Research (NCAER) in Delhi. What then is missing? In this observer's view, the two missing elements relate to objective and methodology: The objective in most current research is analysis, whereas it needs to be *design*, in which analysis, or understanding, is an important step. When systems design is the objective, an intricate merging of insights and methods from several contributing disciplines — true *interdisciplinary* work is needed; it is not enough for each discipline specialist to view the problem from his own point of view and then to loosely stitch together the resultant appreciations, to produce what we might call *multidisciplinary* research and analysis. Yet another important process variable is self-consciousness about the need for continual refinement and improvement of methodology. "In the land of the blind, the one-eyed man is king" goes the adage, spelling out the trap that lurks before innovating organisations. (But there is no complacency at the Rand Corporation. There every report is critiqued in writing by two analysts outside the research team before it is approved for publication, and completed analyses are regularly restudied in internal professional development seminars.)

Type of Systems Analysis Needed

We have only to think of the doubling of India's population in the next thirty years to raise a host of issues requiring both analysis and systems design. These relate not only to resources and allocations, but even to the means

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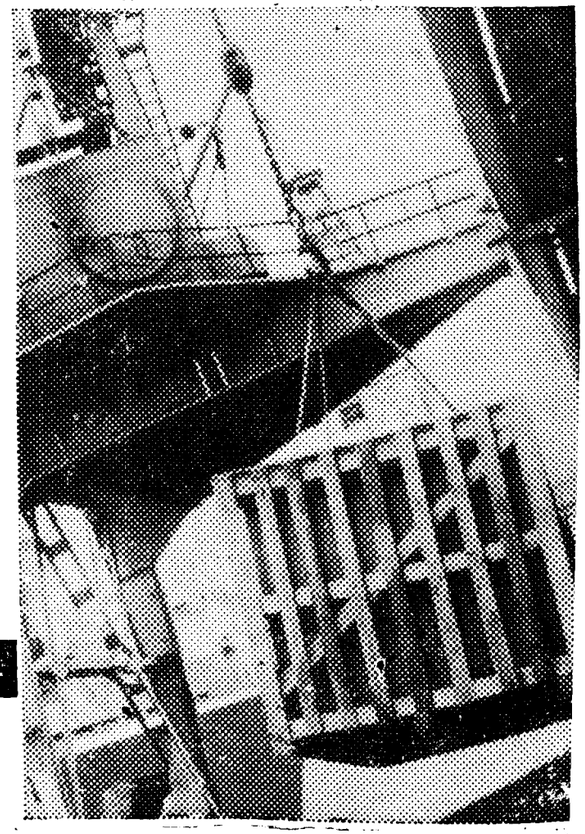
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of transport and communication and distribution and also to community structures. It is likely that the technology needed for maintaining essential services, including food and housing will interact in new ways with the patterns of life traditional to India. During this period of rapid social change, all levels of government require to use a *systems design* capability because of the many new agencies to be created and new communication and information systems to be built. In the past, the initial design of new systems was not so crucial because they had time to evolve as new needs developed. The present rate of social change, however, requires that newly designed systems be capable of responding faster and more effectively to changes in the environment.

Government needs new sources of assistance in achieving these tasks. But the conventional institutions — government itself, private industry, even universities and similar teaching bodies — are handicapped in various ways, as we shall see.

Today many agencies of government believe in creating their own in-house analysis group or 'think tank'. These are very useful, yet they cannot take the place of agencies outside of government. Firstly, in most government agencies it would be impossible to bring together the critical mass of people needed to provide a proper mix of skills. Secondly, offices in government rarely can be independent or flexible enough to develop new approaches to big issues. Thirdly, studies within government must always focus on the immediate problem, usually on a crash basis.

Management, engineering and accounting consulting firms are also a possibility. However, the type of task-contract through which their services can be purchased is unsuitable where often the first task is to define the problem. This type of advice requires an extensive knowledge of the agency and its activities which in turn requires a continuous close relationship between the analysts and agency. However, the firm must also deploy its manpower wherever profitable opportunities arise. These considerations would reduce the suitability of profit-making consulting firms to provide policy analyses and systems designs to government.

Can Universities Fill the Need?

Universities are another possible source. Indeed departments of social science in many universities as well as autonomous bodies like the IITs and IIMs have accepted grants or contracts to work on issues related to public policy. Many professors serve as governmental advisers. Yet universities do have a primary commitment to teaching and disciplinary research, and this conflicts with major requirements for assistance in government where issues are often technically unsophisticated and problem-related. Firstly, teaching institutions are not equipped to undertake long-term operational activities. Secondly, while faculty and students are anxious to perform activities that meet their own research and training interests, they rightly resist taking responsibility for day-to-day operations in a government agency. There are other problems, too, related to staffing and the incentive system. Public systems analysis requires not only faculty and student effort but also full time, operationally-oriented professional staff without faculty positions. At most universities such persons feel like second class citizens. The experience at the IIMA with the specialist staff of the Agriculture Co-operatives Group and the Banking Studies Group is germane.

In addition, the techniques appropriate and useful in public systems analysis may be less formal than those appropriate to the academic literature. The results of policy analyses may not be published, or may be read only by government officials, not academics. Sometimes a separate institution is set up at a university to house the full time professional analysts. However, such bodies as MIT's Instrumentation Laboratory or Stanford Research Institute are no more than in name part of the university. Finally, the university faces the difficulty of providing the continuity of personal contact so essential to building trust and generating influence in government. Though average faculty turnover in India is low by Western standards, it is lowest in departments which do no outside work, and higher where professors involve themselves with applied research. Faculty members must seek achievement and recognition in their discipline; committing long periods of time to interdisciplinary team work that is problem-centred will adversely affect their career prospects.

It is recognition of these disabilities of the conventional institutions which has led to the creation in so many countries abroad of the non-profit, policy oriented, public systems analysts organisation. The incentive structure of these organisations is designed to encourage and reward work according to its relevance to policy-makers. As non-profit organisations, their objective can be the public interest, without offending constituencies such as shareholders, faculty, students or alumni. With single-minded attention they can develop the long-term close relations with government agencies leading to trust and influence, which in turn enables them to choose topics from within a broad study charter which is oriented to anticipating future problems. Unlike a management, engineering or accounting consultancy, they are not characterised by cashing in on the current problems of government, but on working to avert future systemic difficulties. Here especially, their commitment to interdisciplinary research is matched by their ability to develop their staffing and incentive system accordingly.

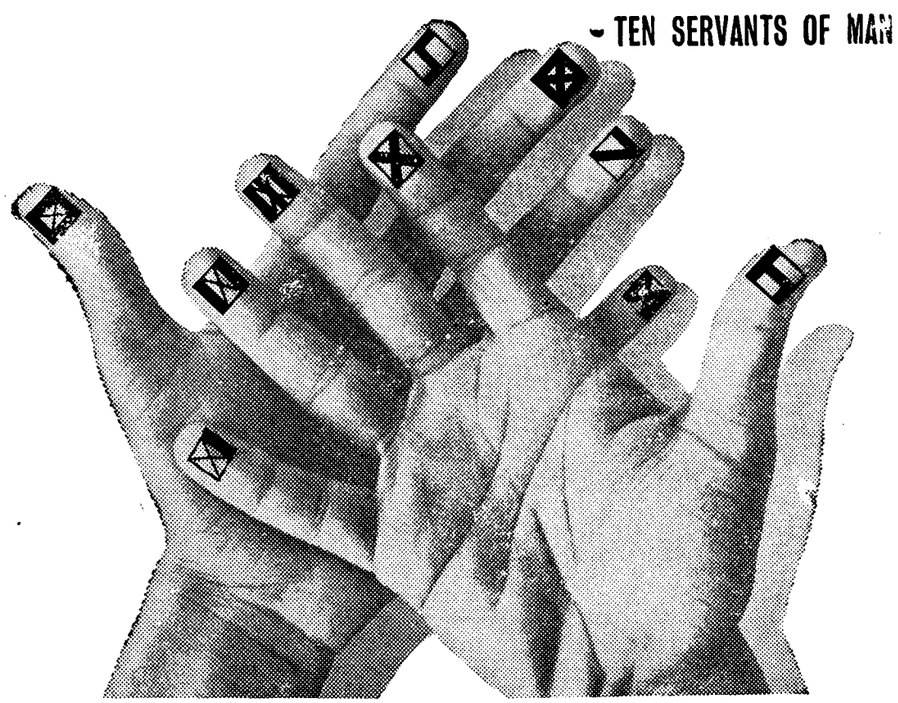
Can such Rand-type institutions be created in India? The success of state, federal and local governments in outpacing change may depend upon it. As the first group of persons whose training provides a multidisciplinary capability, the faculty and graduates of the management institutes could play an important role in the design and building of such organisations.

Notes

1 Raj Krishna: "Economic Research in India", Paper for the 1974 Bellagio Conference on Social Research, February 1974.
2 Roger E Levien: "Independent Public Policy Analysis Organisations — A Major Social Invention", Rand, p 4231, 1971.

Jayant Paper

JAYANT PAPER is going ahead with its expansion scheme and expects to commission its new plants by the end of March next. Construction work has been completed and machinery for the stock preparation and pulp section has been erected. The company's production was slightly higher in 1973-74 at 6,940 tonnes of paper and paper board against 6,879 tonnes last year and the installed capacity of 6,720 tonnes. But the financial results showed a marked improvement, with a 53 per cent rise in sales and a 75 per cent jump in gross profit. Although the tax liability was considerably more, net profit more than doubled. Costs of raw materials and labour were no doubt higher, but the ratios of inventories and wages in relation to sales were lower compared to the previous year. Dividend was lowered by 4 points to 8 per cent on the capital enlarged by a bonus issue and was covered more than three times.



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A Matter of 'Socialisation'?

Ajit Roy

West Bengal — The Violent Years by Sajal Basu; Prachi Prakasani, Calcutta, 1974; pp xii + 178; Rs 15.

IN common political gossip, 1969-72 are referred to as the violent years in the annals of West Bengal. According to a statement made in the West Bengal Assembly, 1,771 political murders took place in the state between 1969 and 1973. According to the same source, in the two years, 1970 and 1971, 415 policemen died in political disturbances and 199 persons lost their lives in police firings.

While focusing on this phase of West Bengal's history, Sajal Basu makes it clear, however, that violence has been a constant factor in the political process of Bengal as much as in that of India. The alien rulers were violent in suppressing the freedom struggles, and the propertied classes never hesitated to let loose their hired thugs on rebellious underdogs. Even the inter-party violence had been foreshadowed in the armed clashes between the Anushilan and Jugantar parties decades earlier. Indeed, Basu generalises, "every society is burdened by some degree of violence, either in the form of social rites or deviant behaviour that arises from imperfect socialisation ..." (p 118). He should have perhaps added: "so far".

The author also cites incontrovertible evidence to show that political violence has not disappeared from the state after 1972, but has acquired a new dimension — that of intra-Congress clashes resulting in a number of murders, including that of a sitting Congress MLA.

Its continuity with the past notwithstanding, the 1969-72 phase — Basu points out — had some original and unique features. Most particularly, there was a coalescence of political and gangster-underworld forces — a development ultimately sanctified by the police and the Research and Analytical Wing (RAW) of the Union Government's Cabinet Secretariat with a view to "terrorising people ... combating extremists, [and] disrupting Left movements" through "instant murder of extremist cadres, liquidating undesirable elements in [the] police [force], inter-party fights [and] trade union rivalries leading to armed fights". (p 115).

The counter-revolutionary terror unleashed by the ruling power, he says, "reached its climax in 1971 in Cossipore (a northern suburb of Calcutta) when large-scale witch-hunting against the Naxalites led to 100 casualties in the area" (p 80).

The author seeks to cover a large ground to get at the social roots of the violent episodes. Besides a broad outline of the socio-economic evolution of Bengal, he also presents the results of a number of micro-studies into various socio-political "cross-currents, conducted by him. However, he is not particularly successful in offering a plausible explanation for the violent phase under study. His main conclusion is that the CPI(M)'s policy and practice of partisan aggrandisement had started the process, which then followed its own logic: "The CPI(M) initiated violence was outweighed by Naxalite terrorism, Naxalite menace was again combated by Congress-police joint violence, which again has eaten up the very vitals of the Congress ..." (p 121).

Basu's diagnosis is too simplistic to be of real value for any understanding of the 'phase' under review. The compulsions and constraints of the situation resulting from a deep social crisis that had led the radical petty bourgeois mass, of a small constituent state of a vast country like India, to indulge in revolutionary shortcuts and play right into the hands of a calculating counter-revolution, do not receive adequate attention from the author. In fact, the author displays the same naivete when he expresses the hope that the current movement, led by JP Narayan in Bihar, would show the way to how non-violent mass resistance can defeat the State violence and "widen the legitimacy gap of the ruling clique"!

Misleading Preoccupations

Uma Ramaswamy

A Survey of Research in Sociology and Social Anthropology, ICCSR, Volume III; Popular Prakashan, Bombay; 1972; pp XV + 335; Rs 30.

THIS volume reviews research carried out by Indian scholars in the fields of cultural anthropology, tribal ethnography, material culture, folklore, applied anthropology and research methodology. Each of these sections is followed by a lengthy bibliography which could be a valuable research tool. It is, however, difficult to understand the logic of the preoccupation with research "carried out by Indians on Indian problems" considering that the series is to be concerned with locating gaps and identifying priorities in research. Where the authors mention the researches of foreign scholars they do so apologetically.

Tribal studies have had a long and rich tradition in India. Vidyarthi highlights the gradual shift in the scholars' attention from descriptive ethnographic accounts to analytical and empirical research. There is a plea to study tribal communities which are facing extinction or are fast getting absorbed into the wider society.

Material culture has received scant attention for, as Saraswathi points out, it is widely believed by scholars to be an "idle and unimaginative curiosity". However, he has taken pains to show that study of material culture can indeed, make significant contributions to other branches of anthropology. The entire cultural complex, it is argued, is reflected in material arts of a society.

It is unfortunate that such a colourful field as folklore has generally attracted the attention of scholars who have had little training in scientific fieldwork and little understanding of the material base of culture. A majority of them are mere collectors of folklore or literary men. The result has been a patchy collection of folklore in different parts of the country. Indra Deva rightly points out that a serious comparative study of folklore material can yield rich dividends.

One is struck by Naik's emphasis on tribal communities while reviewing research on applied anthropology. Applied work on non-tribal people has received scant attention. More seriously, the complete absence of reference to research on Scheduled Castes raises doubts about the coverage of this piece.

The burden of Madan's review is that, considering the extensive body of literature in social anthropology, there is striking paucity of interest in the refinement of methodology and research techniques. He argues that the scholars who have at all been concerned with these issues have done so in general terms. Hence the need to intensify interest in the field.

Family Planning in India

The Outlook for 2000 AD

D Banerji

Despite the enormous investment, despite all the goodwill of planners and political leaders, and despite taking recourse to means which are questionable on social, moral, ethical and political grounds, even in terms of reduction of birth rate, the family planning programme has abjectly failed to attain the objectives.

The decision-makers made a fundamental mistake in taking a very narrow view of the problem of rapidly rising population growth in India and in not realising adequately that, for controlling population growth, a family planning programme forms merely one segment of a much wider spectrum of programmes. Their alienation from the masses, their Westernised values, their lack of competence in technical matters, their abject dependence on foreign consultants for assistance, and their reluctance to come to grips with urgent social problems, along with pressure from certain powerful vested interests, both within the country and abroad, all combined to impel them to conceive of a family planning programme as the instrument for bringing down the birth rate.

I

Family Planning Movement in India

FAMILY PLANNING, or birth control, is a fairly old movement in India. [1] Pioneers like P K Wattal and R D Karve had advocated birth control way back in 1916 and 1921. The Mysore Government opened the first government-operated birth control clinic in the world in 1930. The All-India Women's Conference advocated birth control in 1932. The National Planning Committee of the Indian National Congress, set up in 1935, strongly supported family planning as a State policy.

After Independence, in the very First Five-Year Plan, the "urgency of the problem of family planning" was clearly recognised. [1] The 1961 Census dramatically revealed the explosive nature of population growth in India and the urgent need for controlling it. In the Third Plan, therefore, the objective of stabilising the growth of population was considered the very centre of planned development. Following this, in the Fourth Plan, family planning was named a programme of highest importance. [2, p 11].

As a result of the increasing importance attached to the programme, there has been a very steep rise in the investment in family planning in the successive Five-Year Plans — from a mere Rs 15 lakhs in the First, to Rs 22 crores in the Second, to Rs 24.66 crores in the Third, going up to Rs 330 crores in the Fourth Plan [2, p 11]. The outlay for the Fifth Plan is Rs 560 crores [3, p 253].

At a very early stage, the Government of India had laid down certain guiding principles for the development of the family planning programme in India [4]:

(1) the community must be prepared to feel the need for the services in order that, when provided, these may be accepted;

(2) parents alone must decide the number of children they want and their obligations towards them;

(3) people should be approached through the media they respect and through their recognised and trusted leaders and without offending their religious and moral values and susceptibilities;

(4) services should be made available to the people as near to their doorsteps as possible; and

(5) services have greater relevance and effectiveness if made an integral part of medical and public health services and especially of maternal and child health programmes.

In the fifties and in the early sixties, following the traditions of the 'planned parenthood movement' of Western countries, family planing clinics were established in urban and rural areas. When, however, it was realised that the range of such clinics is very limited, again taking the cue from the 'community development movement' in the United States, an extension wing was added to these clinics by establishing an enormous network of family planning extension workers [5]— for example, Parivar Kalyan Sahayakas and Sahayikas, family planning field workers, auxiliary nurse midwives, and the elaborate hierarchy of supervisory staff at the block, district, state and Central levels. Substantial additions were made in the programme in the mid-sixties, when some foreign consultants projected the intra-uterine device (IUD) as the miracle device and succeeded in persuading the decision-makers in India to undertake a massive programme to popularise the use of this device. [6]

When, however, the IUD programme too failed, it became a "target-oriented time-bound programme, adopting the cafeteria approach". This involved [2, pp 16-17]: (a) offer of "monetary incentives" to the doctors, the motivators, and to the acceptors; (b) mobilisation of the law and order and tax-collection machinery for family planning work; and (c) exerting of administrative pressure on field workers to ensure that they attain certain pre-determined family planning targets. When even this proved inadequate, recourse was taken, in the early seventies, to Mass Vasectomy Camps [7, p 63] which involved much more extensive use of the district administrative machinery along with much more enhanced "incentives" and a massive publicity drive.

II

Present Status of Programme

While several radical changes in the programme have resulted in a number of additions to it, efforts to weed out the redundant components have been very inadequate. This has given a very jumbled appearance to the programme. [7, pp 61-87], [8]

The urban population is served by a total of 1,952 family planning clinics and 2,333 other institutions which also do family planning work. There are 5,178 family welfare planning centres, and 31,151 sub-centres providing services to rural populations. There are 728 mobile units — 329 for IUD insertion and 399 for sterilisation — to supplement the activities of the rural family planning agencies. Conventional contraceptives, with the main emphasis on the condom (Nirodh), are distributed free of cost through all family planning institutions. Condoms are also sold commercially at highly subsidised rates through over 2,20,000 retail outlets. There are 319 pilot projects which provide oral contraceptive pills, and 124 institutions which provide post-partum family planning services. Family planning services are also provided through agencies of the organised sector — such as government ministries and departments, labour organisations, industrial undertakings and the Employees State Insurance Scheme.

Positions for more than 75,000 full-time paid or part-time voluntary workers have been sanctioned for direct extension work in the field. In addition, there are 66,200 workers for supervision and technical assistance at the block, district, and state levels. Apart from extensive mobilisation of all the mass media units of the Union Ministry of Information and Broadcasting and the strengthening of these units and establishing mobile audio-visual units at the district level, other media for mass communication — including indigenous media — have been requisitioned to provide a massive communication support to the programme. [2, pp 15-16] Payment of cash incentives, use of the law and order and tax collection machinery, and application of administrative pressure on health and family planning workers for attaining the assigned targets have been the other ways of "Motivating" people to accept family planning [2, p 17]. As a disincentive some states have withdrawn certain concessions — such as maternity leave to their non-industrial employees — for persons who do not adopt the small family norm. On the legislative front, the legal minimum age at marriage has been raised from 15 to 18 years for girls and from 18 to 21 years for boys, and the abortion law has been considerably liberalised. [2, p 17]

An extensive network of training institutions has been established to provide training to the very large numbers of family planning workers of different categories. Steps have been taken to ensure concurrent and periodic evaluation of the programme by government as well as independent agencies. Support has been provided to encourage research in the fields of bio-medicine, demography, and "communication-action" research [2, pp 21-23].

Far-reaching changes have been initiated in the organisation to sustain the programme. For instance, at the Central level, family planning work was taken out of the Directorate General of Health Services, and in 1966 a separate department of family planning was instituted in the Ministry of Health and Family Planning [2, pp 17-20]. There have been major organisational changes too at the regional, state, district and block levels.

III

Achievements of Programme

Because of setbacks and failures, the goals of the programme had to be "revised" on several occasions [2, p 7]. The aim at the beginning of the Fourth Plan [3, p 240] was to reduce the birth rate, from 39 per thousand in 1968 to 32 per thousand in 1972-73 and to bring it down to 25 per thousand by the end of the decade. However, despite the enormous investment, despite the goodwill of planners and political leaders, and despite the recourse to means that were questionable on social, moral, ethical and political grounds, the programme has abjectly failed even in terms of reduction of the birth rate. According to the Registrar General's Sample Registration Scheme of Births and Deaths [9, p 9], the birth rates per thousand for 1968, 1969, 1970 and 1971 were, respectively, 39.0, 38.8, 38.8 and 38.8 for the rural areas; interestingly, the birth rates for 1970 and 1971 for the urban population however was, respectively, 29.7 and 30.0 [9, p 17]. Nevertheless, it would be hasty to attribute this fall for the urban section to the programme alone; the impact of the socio-economic factors in urban areas have also to be taken into account.

Recognising that the Fourth Plan's demographic targets have not been attained, the targets for the Fifth Plan [3, pp 240-241] had to be revised once again: Rather optimistically, the birth rate at the beginning of the Fifth Plan is estimated to be 35 per thousand, and the revised aim is to bring it down to 30 by the end of the Fifth Plan, and further to 25 by 1984. This, according to the Ministry's estimate, will require 18 million sterilisations, 5,9 million IUD insertions, and equivalent annual Nirodh distribution reaching the figure of 633 million by 1979.

The Table, which is prepared from data published by the Ministry of Health and Family Planning [10], [11], [12], [13], [14], sums up the performance of the family planning programme since its inception — in terms of the number of sterilisations, IUD insertions, and the number of conventional contraceptives distributed.

One demographer, Agarwal [15], has estimated that it would have required a total of over 55 million sterilisations between 1966-1981 to bring down the birth rate to 30 in 1981. This requirement should be seen against the actual performance of the programme between 1956 and March 1963: 13.92 million sterilisations and 4.61 million IUD insertions — even assuming unquestioningly that the official figures are reliable and accurate and that they do not include people who have wives above 45 years of age or who are widowers or are separated or are unmarried.

It may also be noted that, in the three years following 1967-68, there has been a steady fall in the number of sterilisations. However, in 1971-72 and 1972-73, there has been a steep rise in the number of sterilisations. This rise can be attributed to the large-scale organisation of Mass Vasectomy Camps throughout the country. As has been pointed out elsewhere, these Mass Camps raise a number of serious social, political, moral, ethical and demographic issues. There are also information leaks about deaths due to tetanus and other such causes and of the widespread use of tactics of extortion and enticement to catch people for these camps. Above all, a very steep fall in the performance of the programme during the first five months of 1973-74, when the number of sterilisations fell by as much as 34.8 per cent as compared to in the corresponding period of 1972-73, [16] has underscored the fact that — quite apart from some of the basic issues raised above — even from a quantitative point of view the approach of Mass Vasectomy Camps does not ensure a sustained rise in the number of sterilisations.

There are serious doubts too about the reliability and accuracy of the very scanty and sketchy data on the mass camps collected by government agencies [17, p 3]. Even with these very serious limitations, the department of fa-

TABLE

Year	No. of Sterilisations	No of IUCD Insertions	No of Conventional Contraceptives Distributed in Equivalent Nirodhs (million)
1956 to March 1965	983,064	—	103.9
1965-1966	542,779	812,713	94.0
1966-1967	887,368	909,726	65.6
1967-1968	1,839,811	668,979	73.6
1968-1969	1,649,686	472,539	140.3
1969-1970	1,422,118	458,726	110.7
1970-1971	1,319,120	471,408	151.0
1971-1972	2,234,642	472,910	160.9
1972-1973	3,038,603	341,649	160.7
Total	13,917,011	4,608,650	1,060.7

mily planning's own data [8, pp 57-64] on the acceptors of Mass Vasectomy Camps provide a very disturbing description: the government records indicate that the average number of living children were 4.1, 3.92 and 4.4 and the recorded age of the wife was below 30 years in 43.2, 24.2 and 6.4 per cent, respectively, in the Ernakulam, in the Madurai and Ramanathapuram, and in the Gorakhpur Mass Vasectomy Camps. In the Bulandshahr Camp, the average recorded age of the wife was 35.2 and in the Madurai and Ramanathapuram Camps, the average recorded age of the last living child was 8.2 years. More careful and independent studies conducted by agencies such as the Planning Research and Action Institute, Lucknow [18], and the Gandhigram Institute of Rural Health and Family Planning [19] indicate that, in over 60 per cent of the cases, the performance of vasectomy was of little demographic significance.

IV

A Critique of the Programme

Has there been a sound and coherent policy, based on scientific data, to ensure that with the passage of time India's family planning programme gains enough momentum so that the declared goal of bringing down the birth rate to 32 is achieved by 1973-74 and of bringing it down to 25 is achieved by 1980? The answer, unfortunately, has to be a clear "No".

The decision-makers committed a very fundamental mistake in taking a very narrow view of the problem of rapidly rising population growth in India. They did not adequately realise that, for controlling population growth, a family planning programme is a mere component of a wider spectrum which has to embrace a combination of programmes for dealing with different social and economic problems of the country. Population control was considered — rather simplistically — to be a precursor of developments in other social and economic fields.

Apart from this fundamental weakness in policy formulation, even when the programme is seen within very narrow confines, as an isolated monolith, its top leadership has shown an astonishing lack of dexterity in formulating some of the programme's crucial components. As is apparent from the evolution of the programme, in the course of the past decade and a half, the programme has stumbled from one major blunder to another — from the "clinic" approach to the extension approach, to emphasis on the IUD to the target-oriented time-bound programme, leading eventually to the disastrous mass vasectomy camp approach.

The leadership has used the term "motivation" in too loose a manner, without showing adequate understanding of the complex processes which lead to the generation of motivation in favour of small family norm in the community. Perhaps the greatest mistake in the formulation of the family planning programme has been the gross overestimation of the effectiveness of "motivators" and an equally gross underestimation of the resistance to be encountered in motivating a community as whole. They persuaded themselves that an ill-educated, ill-motivated, ill-suited and ill-trained extension educator from a city, merely by using the "skills" of motivation, could kindle a virtual social revolution in rural communities so that the small family norm would become a part of their way of life. Motivation techniques were considered to be some sort of a magic which could be applied by everybody to make anybody accept family planning!

An examination of the social, cultural and economic profile of the population of India reveals that, to a majority, life is a continuous and a grim struggle for existence [20], [21], [22]. This huge chunk of humanity has no choice open to it, nothing to look forward to, and "a surplus of fresh human stock is the only tangible capital that can be invoked" [23]. If they agree to have only three children, who is going to guarantee that these children would not die and they would live a healthy life? Who is to guarantee that they will get a better deal from society and their living conditions will be any better than what they are?

Even from the very scanty, sketchy, and often unreliable, data that are available concerning utilisation of the services, it is evident that only a very small fraction of the capacity of the institutions providing family planning services — very often not even 10 per cent — is being utilised [2, pp 35-37].

The training institutions have found it almost impossible to keep pace with the very rapid, and not very rational, alterations in the programme. This has taken away the very purpose of the training programme and the whole training process has degenerated to become an agonising and very expensive ritual, leading to considerable waste of very scarce resources [2, pp 37-39].

Indeed, the four external evaluations of the programme — two by the United Nations Advisory Missions and two by the Programme Evaluation Organisation of the Planning Commission — have ended up by giving a false scientific respectability to the progamme [2, pp 38-42]. None of these reports gives any indication that the recommendations were based on scientific measurement of the objective achieved. It is not even possible to say that these recommendations were based on a well-considered, though manifestly impressionstic, analysis of the programme. One has only to single out the gravest of all errors in scientific assessment — the element of personal bias — to account for the abject failure of the distinguished members of the teams to notice certain most obvious weaknesses in the programme.

The complex issues of policy and administration of the family planning programme had opened out new fields of research, posing new challenges to research workers. However, once again, only one special type of research — the so-called communication action research — which had gained in importance in this country because it happened to be in tune with the research background of some of the key foreign consultants, got the spotlight. This approach turned out to be grossly inadequate to meet the requirements of the programme [2, pp 42-44].

Despite strong pleas by the Administrative Reforms Commission of the Government of India [24] and several other eminent authorities in the field of public administration [25], the organisation and management of the programme follows old colonial practice and continues to be dominated by generalist administrators. Decisions of far-reaching importance are taken by committees in which generalist administrators, who are usually very busy, who have little technical background, and who are adherents of the colonial law and order traditions and values, are given key positions. This approach has been adopted again and again [2, pp 44-50]. Such archaic and obviously inadequate approaches to decision-making are responsible for quite a few of the present maladies of the family planning programme.

V

The Prospects

At first sight, such a long succession of failures in the family planning programme appear very bewildering. How could the decision makers "succeed" in making so many mistakes, and how could they get away with them? However, when these serious lapses in decision-making are seen against the background of the political, social, economic and international forces which have given shape to the various development programmes in India since Independence, the failures can be explained.

The Indian political leaders, who took over the reins of government after Independence, were the pace-setters. While they felt compelled to commit themselves to the norms of an egalitarian society and to enshrine their commitments in the Directive Principles for State Policy in the Constitution [26, pp 230-235], they were not prepared to effect the social, political, and administrative changes necessary to attain such goals. The political leaders presumed that the values of a highly privileged class, which most of them had inherited from the colonial era, would not come in the way of effecting a social and economic revolution in the country. Nor did they think that, for bringing about the revolution, it would be essential to stand up against the forces of the *status quo* in the urban and rural areas. Similarly, they also believed that they would usher in the revolution without changing the structure and the functions of the bureaucracy which continued to hold steadfastly to its colonial traditions. Heavy dependence on foreign agencies for "technical" assistance was thus natural corollary to the unwillingness of the political leaders to squarely face the basic problems of the country.

Because of the shortcomings in the political leadership, gross administrative inadequacies, and pressure from vested interests — both from within the country and outside — the country is still very far away from implementing the Directive Principles of State Policy enshrined in the Constitution. For instance, while the Directive Principles enjoin free compulsory education to children up to 14 years by 1960, the Planning Commission estimates [22] (very optimistically) that only 40 per cent of the children in the 11-14 year group will be enrolled in schools by 1974.

It is, indeed, the same forces which have found a common interest in raising the spectre of a runaway population growth in India. A rapidly growing population not only posed a threat to the perpetuation of the existing social structure, but the bogey of a rapidly rising population came in very handy for covering up the massive failures of the leadership to comply with the Directive Principles. The family planning programme was set up as *the* instrument for bringing down the rate of population growth in India. It was duly given a central position on the Third and Fourth Five-Year Plans and huge resources were made available to the programme.

It is not surprising that, in dealing with the population problem, the decision-makers simply circumvented the basic problems of poverty, social injustice, ill-health, primary education, and illiteracy. Nor is it surprising that they tried to cover up the inherent weaknesses in their own approach by stooping to use "incentives" to procure "acceptors" to use police methods to "motivate" the people, and to swell the performance figures by sterilising persons who have little or very limited demographic relevance [18], [19]. As a result, it is also not surprising that, despite their taking recourse to means which are politically and ethically, questionable, they fell far short of their objective of rapidly bringing down the birth rate.

OUTLOOK FOR 1974-2000

Because of the colonial heritage and the continuing affinity and strong links of the ruling elites of India with their counterparts abroad with — particularly in the Western industrialised countries— almost every facet of the social, economic and cultural activities in India has been considerably influenced, if not often actually controlled, by the bigger global system — which, itself, has a deep vested interest in maintaining and actively promoting a polarisation between the haves and the havenots [29, p 273, 66, 113 and 227].

Fortunately, this polarisation among the nations of the world and within individual nations — particularly within the developing nations — has introduced strong elements of instability. Responding to these pressures, some minor steps have been taken to make the power of a few among the vested interests appear diminished — for example, abolition of the Privy Purses, nationalisation of banks and general insurance, and constitutional amendments on the Fundamental Rights. The Central and the state governments have also committed themselves to launching "a direct attack or unemployment, underemployment and poverty" in the Fifth Five-Year Plan (1974-79) [22]. A National Programme of Minimum Needs [28, pp 87-91], consisting of an integrated package of programmes covering the fields of elementary education, rural health, nutrition, rural water supply, rural roads, house sites for the landless, slum improvement and rural electrification, is supposed to be the blueprint for ensuring social and economic justice to the weaker sections of the population of the country. Out of an outlay of Rs 5,790 crores in the public sector under the head "other services", an outlay of Rs 2,803 crores has been specifically set aside to finance the National Minimum Needs Programme.

Attempts have been made, moreover, to tailor the programmes under health, family planning and nutrition to the Fifth Plan strategy — particularly to the package of the National Minimum Needs Programme [3, pp 232-246]. The plan is to provide minimum public health facilities, integrated with family planning and nutrition, for the vulnerable groups — children and pregnant and lactating mothers — and preferential treatment to backward and tribal regions. Obviously, following the model of the "barefoot doctors" of China, there are reports of government plans of having "peasant physicians" for each of the over 560,000 villages of India.

Recognition of the dismal failure of the Fourth Plan to attain its demographic objectives has set in motion an agonising reappraisal of the entire pro-

gramme. Some steps have already been taken to dismantle the major props of the specialised 'vertical' programme, in order to merge it more fully with the health and nutrition services [3, p 241].

The unipurpose family health assistant has been merged with the basic health worker to form a new functionary — the multipurpose health auxiliary. Approaches having overtones of coercion or monetary enticement — such as target orientation, mass vasectomy camps, use of paid agents to procure sterilisation cases, and payment to doctors and other health workers — are being given up. Conforming to the changed strategy for family planning, steps are also being taken to evolve a new strategy for mass communication and extension education to replace the old approach. There is also a reappraisal of the role of mobile IUD and sterilisation units and of the urban family planning bureaus and clinics. A "New Motivation Strategy" is being developed to build "those aspirations and urges that go to foster the small family norm" by providing "better health, more economic security, better education, less fragmentation of property and land holdings, greater concern for mother and children, and higher age at marriage for girls"[29].

It is significant that the present change process is partial and a mere concession. Thus, following the trend of the previous plans, the resources allocated to the National Minimum Needs Programme for the Fifth Plan are only a fraction of what is needed to meet the minimum needs of the weaker sections of the population of the country. It is also highly questionable whether in the context of the present lack of political will and steeply rising prices, it will actually be possible to mobilise even the limited resources that have been allocated for the minimum needs programme. It can also be forecast that the existing leadership will not venture to confront and overcome the obstacles from the big power elites — e g, the urban gentry, the big business houses, and the powerful rich farmers — who are bound to come in the way of implementing even a very watered down version of the minimum needs programme. The same considerations will inhibit them in bringing about changes in the "culture" of the bureaucratic and the technocratic administrative systems and in the "culture" of the institutions for education, training and research. The new Fifth Plan strategy will, therefore, be as ineffective as the previous ones.

Fortunately, such patently unconvincing efforts to patch up the problems of the country will lead to an erosion of the credibility of the leadership at an exponential rate. The pressure for change on the system is likely to increase correspondingly. There will be much greater frustration, disillusionment and disenchantment within the ruling camp. There will also be mass unrest of much greater intensity. These two positive forces for change — mass movements and pressure for change from a segment within the ruling elites — will reinforce the passive force of rebound which will be generated as a result of failure of the Fifth Plan strategy and they all will contribute to trigger off a chain reaction of a series of frontal encounters between the forces of change and the forces of *status quo*. If, as a result of this struggle, in another decade, the existing alliance of forces is replaced by a much more harmonious, dynamic and progressive alliance of forces which will effectively respond to the urges of the masses, it will then be possible to make more energetic efforts to implement the Directive Principles of State Policy. In this changed political, social and administrative climate it will also be possble not only to bring about a major shift in the balance of the existing health services, from urban to the rural, from curative to the preventive, and from providing services only to the privileged few to making services available also to the weaker sections of the population. The family planning programme too can be totally submerged within such a restructured and strengthened health services structure and it will lose its identity as a separate programme. Services for family planning, such as vasectomy, tubectomy, IUD, induced abortion, and contraceptive pills, can then be offered as an integral part of the health services.

Concurrent progress in social, economic and political fields would not only create favourable conditions for generating the motivation for accepting the health and family planning services, but also and perhaps much more importantly, such programme itself would make a very major impact on the health and fertility status of the population. An increase in the marriageable age of boys and girls and a significant improvement in the social, cultural, educational and economic status of women, for example, would have a major influence on fertility rates. Because of these developments — and more because of the far-reaching changes in the social, political and economic fields than because of the family planning services offered through the health services — the fertility rates should show some hopeful declining trends. The annual population growth should, in time, decline to 0.5 per cent or even below.

The Planning Commission, assuming the birth rates to be 35.57, 29.57 and 24.82 for 1971-76, 1976-81 and 1981-86, respectively, makes a population projection of 705.2 million for 1986 [28, p 1]. Against the changes which are expected to take place during 1971-86, its assumption of birth rates appears to be on the optimistic side, concerning 1971-76 and 1976-81, while the estimation of the birth rate may prove to be reasonably correct for 1981-86. The population for 1986 may thus turn out to be between 712 million and 715 million rather than the projected 705 million. The rate of growth of population is expected to slacken sharply in the next 10 years and become negligible for the remaining five years of the century. India's population by 2000 AD is expected to be around 790 million.

VI

Summary

Despite the enormous investment, despite all the goodwill of planners and political leaders, and despite taking recourse to means which are questionable on social, moral, ethical and political grounds, even in terms of reduction of birth rate, the programme has abjectly failed to attain the prescribed objective. The decision-makers made a fundamental mistake in taking a very narrow view of the problem of rapidly rising population growth in India and in not realising adequately that, for controlling population growth, a family planning programme forms merely one segment of a much wider spectrum of programmes. Their alienation from the masses, their Westernised values, their lack of competence in technical matters, their abject dependence on foreign consultants for assistance, and their reluctance to come to grips with urgent social problems, along with pressure from certain powerful vested interests, both within the country and abroad, all combined to impel them to conceive a family planning programme as *the* instrument for bringing down the birth rate and huge quantities of resources were made available for implementing such a programme.

A polarisation exists between the haves and the havenots, both among the nations of the world and within individual nations, particularly within the developing nations. Fortunately, this polarisation itself generates instability within the system. Because of this, for instance, even twenty-seven years after Independence, it has not been possible to meet some of the basic requirements of a big segment of the population of the country, which, in turn, has generated considerable pressure on the system for change. Compelled by this situation, the ruling elites have yielded, rather reluctantly, only to the most pressing demands which can no longer be resisted so that they are in a position to resist other demands for change which may be equally urgent and justified.

As a result of this lack of inner motivation for change among the ruling elites, the Fifth Plan strategy, including the National Programme for Minimum Needs and the proposed new approach of integrated health, family planning, and nutrition is not expected to yield the desired results. Such repeated failures will, however, generate at an exponential rate, some positive pressures for change — pressure from within the masses of the people as well as from within the ruling elites themselves. This combined pressure will be able to counter the totalitarian forces which will be generated as a reaction to the proposed changes. If this succeeds against the existing elites and forces, the country may then be launched on a path of all round social, political and economic development, including integrated developments in the fields of health, family planning and nutrition. This will lead to a sharp decline in the fertility rate and, before the end of the century the annual population growth rate will decline to 0.5 per cent, or even below. Because of these changes in the fertility rate, India's population by 2000 AD is expected to around 790 million.

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International Pharmaceutical Industry and Less-Developed Countries

II—Costs and Alternatives

Sanjaya Lall

The pharmaceutical industry is one of the most 'multinational' modern manufacturing industries; the firms which dominate it in the developed countries also operate in almost every less-developed country outside the socialist bloc.

The social importance of the pharmaceutical industry is such that in recent years it has been subjected to increasing enquiry and criticism in several countries. It is an indication of the industry's power that few of these criticisms have led to reforms in its basic structure.

Part I of this paper, which appeared last week, examined the main characteristics of the international pharmaceutical industry, highlighting the anomalies and distortions that exist because of the peculiar structure of the drugs market and because of the great oligopolistic power exercised by the leading firms.

The implications of the structure of the international pharmaceutical industry for the developing countries, to which many of its less desirable features are transferred wholesale, are discussed in Part II of the article published below. The additional social costs imposed on these countries by their playing host to the drug multinationals are described, using the Indian case as an example. The options open to the governments of the developing countries to reduce the cost of obtaining drugs are also considered.

THE pharmaceutical industry in the less developed countries embodies all the essential features of the industry in the West. Most of the large international concerns operate in those less developed countries (LDCs) which actively promote import substitution in drug manufacturing — though, in most cases, the manufacturing operation consists simply of formulating and packaging imported chemicals.[1] In a few relatively industrialised countries, such as India, Mexico, Argentina, Brazil, and the UAR, the industry has managed — behind protective barriers — to achieve considerable backward integration with the growth of an indigenous fine chemicals sector; in others, however, import dependence remains very heavy.

The technology of drug manufacture is, of course, almost entirely imported from the developed countries, and the system of patenting, the marketing methods, and the levels of profitability, are all very similar to those described in the previous sections. As in the developed countries, the more industrialised LDCs have large numbers of local firms which supply very small proportions of total pharmaceutical sales, in the foreign multinational firms possessing overwhelmingly dominant positions in their markets.[2] Given the profitability of their own manufacturing investments, the multinationals are naturally unwilling — unless forced to do so by local laws — to license indigenous firms to manufacture their patented products; and, given the existence of patent protection as well as the entire paraphernalia of drug marketing backed by the prestige of established foreign brand and company names, the multinationals can easily maintain — and have done so till now — their dominant positions in perpetuity.

The social costs of this structure, as noted for the developed countries, apply even more strongly to the LDCs — in that, there are certain special factors in the latter which further raise the burden on the host economies:

(*i*) Though there is little original R and D done in LDCs by the pharmaceutical multinationals, beyond relatively minor adaptive research, their control over *patents* is even more complete than in developed countries.[3] In many LDCs, including the more industrialised ones (with the rather odd exception of Brazil), the percentage of total patents (including non-pharmaceutical ones) owned by foreigners borders on or exceeds 90 per cent;[4] of the 10 per cent owned by nationals, there is reason to suspect that a large proportion is of little commercial importance.[5] Though figures are not generally available on pharmaceutical patents separately, some data for Chile indicate that foreign ownership in this industry was the second highest of 10 industrial groupings in 1967,[6] while information from the UK, where only 6 per cent of pharmaceutical patents filed in the mid-1960s were nationally owned as opposed to 14 per cent some 12 years previously,[7] suggests that there is an increasing tendency in all countries with multinational drug firms to have foreign-owned patents.

What are the implications of this trend for LDCs? Do they have reason to dislike it any more than, say, the UK? Recent analysts of the patent system in LDCs agree that the rationale of its existence there is not so much to provide an inducement to innovative activity — since the innovating firms invest in R and D primarily with a view to their main markets in the developed countries[8] — as to stimulate the inflow of foreign direct investment and the transfer of new technology. These analysts, especially Vaitsos,[9] also express grave doubts about the acceptability of this rationale, on the ground that the patent system serves primarily to increase the monopoly power of foreign investors — and so enables them to restrict technological transfers, raise import prices, and indulge in various other restrictive practices.

There is little reason to doubt, on the basis of the experience of developed countries, that the patent system does increase the monopoly power of multinational firms in this particular industry, though it would be incorrect to put the entire blame for the monopolistic practices in LDCs on patents as distinct from other sources of market power, especially marketing practices. It is, however, impossible to envisage what the structure of the industry would be if the entire international patenting system were scrapped; patents may be only one of the supports of the present system, but it may be the vital one to its existence.

If we accept, then, that patents are of some value in enhancing monopoly in the pharmaceutical industry — as, indeed, they are intended to be — the charges which can be levelled against them are: (*a*) that they allow multinationals to buy up most of the patents in LDCs and *not use the vast majority of them*, thus providing a captive market for exports for the producers in developed countries, while preventing emergence of indigenous enterprise or the purchase of cheaper imports;[10] (*b*) that they stifle local research efforts; and (*c*) that they allow foreign sellers of technology to impose restrictive conditions in contracts, or to charge excessive prices for the technology transferred.

The most balanced review of these criticisms is by Penrose, 1973, who argues that many of these effects would exist even without the patent system, that there may be valid economic reasons for the non-working of patents, and that a more stringent official check could counter most of these abuses. However, she ends by saying that there is a strong, but not conclusive, presumption that LDCs "gain little or nothing, and may even lose, from granting patents on inventions developed, published, and primarily worked abroad."[11]

The reason why the case against patents is not conclusive is that they may "in some industries and in some circumstances ... promote technological transfer and its implantation in the local economy".[12] The circumstances in which this is particularly true are those requiring a lot of technological backing, beyond the mere sale of patented knowhow, and when, consequently, the willing support of foreign firms is valuable. This is *not*, however, true of the pharmaceutical industry: the production technology is simple, the backing of foreign firms is not necessary, and the concomitant monopolistic costs foreign control are particularly heavy. Thus, while abolition of patents may not by itself remove the existence of foreign monopoly in drugs in particular LDCs today, to the extent that the international patent system permits or enhances monopoly in this industry the system does appear to have more costs than benefits.

(*ii*) These costs, which we can attribute to the overall structure of the industry, and not simply to patents, are of two general kinds — financial and social. The *financial costs* of the multinational dominance of this industry are particularly important for those LDCs which are extremely short of foreign currency, since they all accrue in foreign exchange and benefit the foreign investors or their home governments.[13] They arise from various factors, the most important being the use of transfer-pricing (which we have noted above, but which, for reasons discussed elsewhere,[14] tends to work particularly against the welfare of LDCs), the charging of excessive royalties even on technology purchases from within the same firm, and the imposition of export restrictions. All these have been discussed in recent literature on multinational corporations and LDCs and need not be elaborated here. It need only be pointed out that most of the evidence on transfer-pricing has been based on investigations of the pharmaceutical industry, and that the incidence of export-restrictive clauses has been particularly common here. To return for a moment to Roche, investigations in Colombia for the late sixties showed that this firm was overcharging its subsidiary (as a percentage of world market prices) by 94 per cent for Atelor, by 96 per cent for Trimatoprium,[15] by over 6,000 per cent for Diazepam, and by over 5,000 per cent for Chlordiazepoxide.[16]

(*iii*) The *social costs* of the present pharmaceutical industry in the LDCs arise from the peculiar configuration of circumstances in such countries, where extreme poverty, lack of effective social welfare systems, high incidence of illness, and absence of modern medical treatment in rural areas are *combined* with the unreasonably high prices of medicines charged by the multinational drug companies. We have already noted the reasons for the excessive drug prices in the developed countries. In poor countries the welfare cost of such prices is immeasurably greater. Not only do expensive pharmaceuticals put a great deal of medication out of the reach of vast sections of the population and confine proper treatment to an elite preserve, they also prevent a more rapid spread of medication to non-urban areas where most of the people live and where illness is rife.

These are the special problems which the modern drug industry creates for LDCs — quite apart from the ones which were described in Part I. While the general structure of the industry is similar in the developed and the less-developed areas, there is one major difference: The developed countries produce the technology and will continue to do so, the less-developed ones import it and may expect to do so in the future. Since the operation of multinationals ensures that the latter also pay in full for the proliferation of products and for famous international brand-names, the problem of policy in the two areas is quite different. Both are concerned with minimising the cost of medicines, but for the developed countries the problem is to maintain or improve research while cutting out its present wasteful elements, whereas *for the LDCs the problem is to obtain the results of research done abroad as cheaply as possible*. We shall return to this when we discuss policy options for the LDCs; let us first consider the position of the industry in India.

Pharmaceutical Industry in India

In 1970-71, the total production of pharmaceuticals in India was approximately Rs 250 crores, ($ 333 million at the current exchange rate of Rs 7.5 = $ 1); of this 80-90 per cent was accounted for by some 100 large units, and about 70 per cent by the 30 largest firms.[17] Approximately 2,300 smaller units supplied the remainder of the market. The total consumption of pharmaceuticals in India in 1966-67, when comparable figures are available for other countries, was about $ 250-300 million, while it was $ 4,667,000 million in the US, $ 640,000 million in Italy, and $ 71,200 million in Belgium (the smallest consumer in the OECD).[18]

There are several plants in the public sector in India which produce both basic chemicals for use by the pharmaceutical industry as well as some finished pharmaceutical products. However, the bulk of pharmaceutical production still lies in the private sector, and here foreign firms are in a dominant position. Of the top 15 firms ranked by sales in 1966, only 4 were wholly Indian-owned;[19] of the 39 'medium and large' public limited pharmaceutical companies (which include nearly all firms of moderate size), 33 were foreign controlled in 1968-70.[20]

The 33 foreign-controlled drug firms accounted, in 1969-70, for 93 per cent of the value of sales of the 39 medium and large drug companies, for 96 per cent of their net fixed assets, and for 109 per cent of their profits-before-tax. If these 39 large companies are assumed to have provided 70-80 per cent of total pharmaceutical demand in the country, the 33 foreign controlled firms supplied about 65-75 per cent of the total market.[21]

These 33 firms — exactly 10 per cent, in numbers, of the 330 total 'foreign controlled rupee companies' surveyed by the Reserve Bank for 1969-70 — accounted for 9 per cent of the value of net sales of the total sample, for 8 per cent of net worth and for 6 per cent of net fixed capital employed. An earlier survey of India's international investment position (*RBI Bulletin*, 1971), as at end of March 1968, shows that

total foreign direct investment in branches and foreign-controlled firms in the pharmaceutical sector (Rs 38 crores) came to 11 per cent of total such foreign manufacturing investment in the country. Of total foreign equity investment in pharmaceuticals, 87 per cent was in branches and subsidiaries (i e, 50 per cent or over foreign shareholdings), 12 per cent in foreign-controlled minority companies, and only 1 per cent in non-foreign controlled companies. The high proportion of foreign control in this industry contrasts with manufacturing industry generally, where 12 per cent of total foreign equity capital was invested in non-foreign controlled enterprises.

Though the 33 foreign controlled pharmaceutical firms accounted for less than 10 per cent of sales and net worth of the 330 foreign controlled firms in 1969-70, they accounted for nearly 18 per cent of their total profits-before-tax. The percentages of profits-before-tax on total capital employed came to 15 per cent for the 330 firms and 30 per cent for the 33 drug firms; while those of profits-after-tax on net worth came to 14 per cent and 22 per cent, respectively. These ratios were, by way of contrast, 8 per cent and 7 per cent, respectively, for 1,926 Indian public limited companies in the same period. Furthermore, the 39 medium and large drug firms recorded profits-before-tax on capital employed of *over 20 per cent in every single year* from 1965 to 1971, when the average for the total of 1,501 medium and large firms was always 10 per cent or less. The drug industry was consistently the most profitable of all 23 sectors (including non-manufacturing) covered for the six-year period, with one exception in 1970-71 when mineral oils achieved somewhat higher profits. The foreign companies in the pharmaceutical industry were always more profitable than the local ones; in fact, the latter six firms recorded net losses in 1968 to 1970 when the former were earning extremely high profits. Thus, the foreign drug companies in India have been *not only the most profitable among manufacturing firms in the country generally but also among all types of foreign controlled enterprises, including those in non-manufacturing sectors.*

Of the foreign firms in the pharmaceutical sector, Roche is one of the most profitable. In 1968, for instance, when the 33 foreign controlled drug firms earned profits-before-tax of 24 per cent on capital employed, Roche recorded pre-tax profits of over 60 per cent on net capital employed and about 65 per cent *after* tax on net worth.[22] Similarly, the firm's ratio of profits-before-tax (net of depreciation) to sales was 37 per cent in 1968, as compared to 18 per cent for the 33 foreign companies, and to only 8 per cent for the total 1,501 medium and large public limited companies.

The existence of transfer pricing, of course, reduces the reliability of declared profits as indicators of true profitability. India is less vulnerable to this particular practice than most other countries — if only because the government's strenuous efforts at import-substitution have forced down imports to a relatively low level. The fall in imports as a percentage of production from 25 per cent in 1960-61 to 10 per cent in 1963-64 for foreign subsidiaries, and its further reduction to about 8 per cent for the industry as a whole by 1972,[23] shows that the industry has managed to achieve a fair degree of self-sufficiency. With the planned increase in production of chemicals by public sector plants, the extent of import dependence will probably continue to fall in the next few years.

This is not to argue, however, that transfer pricing is not used by foreign firms, nor that it does not make a substantial difference to the profitability of the firms concerned. There is a shortage of 'hard' data on the use of transfer pricing by multinational firms in India, though plenty of impressionistic and indirect evidence exists that it is widely used.[24] Certainly, there are many inducements to use it — high tax rates, price controls, political pressures, and so on — and no effective deterrents, such as the direct checks exercised by the Colombian government, exist. In Roche's case, for instance, imported chemicals came to 19 per cent of the value of production in 1968; if 90 per cent of the value of imports were simply the transfer of profits (a conservative estimate, on evidence from the UK and Colombia), the real profits-after-tax of the firm would be almost exactly *double* the declared profits. The figures are pure conjecture, of course, but there is little reason to doubt the real dangers inherent in the system.

India is a high drug-price country; even the Kefauver Committee in the US remarked on the level of pharmaceutical prices in India and on its perverse relationship to levels of per capita income.[25] The preceding discussion has explained why pharmaceuticals are high priced in general, and also why the level of prices fixed by the leading firms has little to do with the actual costs of production. With the obvious exception of heavy R and D expenditures, all the other usual costs of producing and marketing pharmaceuticals are present in India: there are heavy promotion expenditures (though the exact cost breakdown is not available); there are high profits and a proliferation of branded products; and there are vast differences between brand name products and generic name products. Roche's Librium was sold in 1972 for Rs 16 (per 100 tablets of 10 mg each) when generic name equivalents were available from small units for prices as low as Rs 1.52.[26] Similarly, public sector units were supplying Phenobarbitone at 1 paisa per tablet and Diethy Carbamazine Citrate at 3 paise per tablet — when brand name foreign equivalents were being sold at 3 paise and 8 paise, respectively.[27] Many such cases have been recorded for a wide range of products, with the price differentials being very large indeed; but this is hardly surprising, in view of comparable differences observed in developed countries.

The position of foreign brand name products is, if anything, stronger in a country such as India than in developed countries. Not only is there a long-standing prejudice against local products in every industry, "medical practitioners and consumers have a rigid faith in the quality of the high-priced drugs from foreign companies".[28] Two special factors in the Indian situation must, however, be noted in this discussion. First, the cost of intermediate chemicals supplied by public sector plants is high, relative to international prices; foreign firms often blame high retail drug prices on the high cost of their raw materials. Second, quality control by the authorities is neither comprehensive nor very efficient, and a number of cases of drug adulteration by small producers has been recorded.

These points may seem to support the case for promoting foreign drug firms and reducing public sector production. The first, however, is not very convincing, because the retail prices charged by these firms is very much higher than is justified with reference to raw material prices. Generic equivalents are marketed much more cheaply by smaller firms which use the same chemicals as raw materials. Even in cases where the public sector prices are over three times the import costs — as with Phenobarbitone, or Vitamin B — the prices of competing foreign brand name equivalents are much higher (about 50 per cent and 300 per cent, respectively). The cost of raw materials is always such a small proportion of the selling prices in this industry that it is in any case difficult to accept this argument at its face value. Of course, the public sector should be made more efficient, but *even an inefficient one provides cheaper drugs than the multinationals.*[29]

The second point is more serious. The enforcement of quality control varies greatly from state to state — with Bihar and Madhya Pradesh lacking drug control staff altogether.[30] The dangers of drug adulteration are very great, and, given the enormous profit margins, the inducement for small producers to indulge in it are also very great. To the extent that the foreign firms enforce rigid quality control, certainly a strong plea can be entered in their favour; the situation, however, is not one which calls for extending the scope of foreign manufacturers so much as for enforcing better quality control, or, as argued below, for extending public sector production. After all, there *are* good generic equivalents available from small producers and from public sector firms, and at much lower prices than foreign branded products; the obvious solution is to promote low-priced products, with adequate quality safeguards.

The Indian government's policy towards the pharmaceutical industry has been a combination of extreme stringency in some respects with gross leniency in others. Let us briefly consider the salient aspects of its policy.

(*i*) *Prices*: In 1970, the government issued a Drug Price Control Order, based on recommendations of a Tariff Commission study, to determine the prices of 18 basic drugs and their 69 formulations.[31] A formula, giving a 15 per cent pre-tax return on net capital employed for manufacturers, and another 15 per cent for formulators, was used. The implementation of the Order eventually led to a reduction in the prices of the controlled drugs, though we do not possess information on the exact magnitude of savings achieved. These 18 drugs accounted, however, for only 9 per cent of the total value of drugs marketed in India; the Order had the perverse effect of inducing an increase in the *overall* drug price index, of 12 points in 1970-71 — the highest annual increase recorded since 1960.[32] The pace of increase in drug prices quickened, in fact, after 1966, when the Tariff Commission investigation of prices was instituted. Whatever the merits or faults of the Order within its context of 18 drugs, therefore, it certainly did not provide a means of checking overall pharmaceutical prices in the country.

(*ii*) *Patents*: We have already noted the Indian government's early objections to the effects of the patent system. After a great deal of prolonged debate, a Patents Bill was passed in 1970, reducing the period of patent protection from 16 to 7 years, ruling out product patents and providing for compulsory licensing after 3 years for a royalty not exceeding 5 per cent of the value of production.[33] These measures put India among the countries with the strictest of patenting provisions, though clearly not in the class of Italy which allows no drug patents at all.

(*iii*) *Public Sector Production*: While the government is, in line with its general industrial policy, continuing to expand public sector production of drugs and related chemicals (in various plants of Hindustan Antibiotics and Indian Drugs and Pharmaceuticals), far more could have been achieved by now had the private sector not interfered in the early stages of the negotiations with the Soviet bloc for technical assistance. Kidron cites this as one of the instances of political pressure wielded by the foreign investors in collaboration with their Indian counterparts. In this case, a Russian offer was rejected in favour of more expensive private deals.[34] The main present 'problem' is one of high costs of production; it is hardly relevant to our present discussion to go into its solutions, though there seems to be no special reason why, in this industry, it should not be resolved with time — since economies of scale or production technology are not particularly important or sophisticated. To repeat an earlier point, *even an inefficient public sector markets drugs at lower prices than an efficient private foreign sector.*

(*iv*) *Transfer Prices*: The government has not formulated an effective policy to deal with this aspect of the drug companies' operations, despite many indications that foreign firms in this and other sectors use arbitrary pricing to remit profits abroad. The growing canalisation of imports through the State Trading Corporation may have alleviated the risks, along with the reduction in the degree of import dependence, but a substantial amount of foreign exchange is still spent on imports bought directly by the private companies. Given the inherent arbitrariness in pricing in the international pharmaceutical industry, the neglect (even in calculating costs for the 18 price controlled drugs) is unfortunate.

(*v*) *Marketing*: As with most other countries, the marketing of drugs is left entirely to the devices of the private manufacturers, and so it involves all the wastages already noted. This aspect of the industry is so fundamental to its present structure and functioning, that it is difficult to envisage reforms which leave it out of consideration. Yet the government has shown little awareness of the issues involved even in its bravest attempts to cut pharmaceutical prices. Not only has it not considered the setting up of a nationalised drug marketing system, it has even failed to implement measures to sell drugs by generic rather than brand names (which other countries, like Pakistan, have done).

In all these respects — as also in quality control and removal of export restrictive clauses[35] — there are gaps and defects in official policy. However, piecemeal measures to remedy one aspect or another of the drug industry will not result in the elimination of social waste and the lowering of drug prices. Only a comprehensive approach can resolve the basic anomalies in the industry. Let us now consider the policies open to the less developed countries, and especially to the Indian government, to achieve a practical solution.

Policy Options for LDCs

Let us restate the fundamental problem: the LDCs want the benefit of having the best drugs available to modern medicine; they want to import or produce them at the lowest possible cost, using the results of research which is generally conducted in developed countries;[36] they want to bring them to consumers with the lowest possible expenditure on marketing, and, at the same time, provide adequate and honest information on new preparations and their prices to prescribing doctors; and they want to eliminate monopolistic elements in pricing of brand name products and every possibility of drug adulteration.

How is all this best achieved? One solution — perhaps the best from a global point of view — would be a thorough reform of the pharmaceutical industry in the developed capitalist countries, along the lines mentioned at the end of Part I. If the undertaking of pharmaceutical research, production and marketing were socialised, and the products (finished or intermediate) made available to the LDCs at prices approximating the real costs of production, most of the undesirable elements in the present international structure of the industry would disappear. The LDCs would still be faced with the problems of internally processing and marketing the drugs, but any sensible distribution system would be able to deliver the goods at prices far below present ones.

However, this is not a policy which is open to the LDCs. Despite the occasional outbursts of protest, the pharmaceutical industry is likely to continue undisturbed in its present form in developed countries; if the LDCs want to lower their costs, they

will have to do so on their own, within the given structure of the industry in the West.

The policies which a particular LDC can adopt are determined, of course, by its own industrial capacity and the abilities of its domestic entrepreneurs and administrators. There are crucial differences on the production side between those countries which possess developed chemical industries and can therefore produce most pharmaceuticals entirely on their own, and those which have to import the finished drugs or the intermediates in an almost finished form. On the distribution side, similarly, there are crucial differences between countries which are capable of managing an information and marketing system on a nationalised basis (with no help from the international drug firms) and those which are not.

Countries which have simple processing facilities but possess neither developed chemical industries nor an administration capable of handling sophisticated information and marketing systems can choose between the following alternative 'packages' — in ascending order of desirability:

First, an industry dominated as at present, by multinationals, which performs all the requisite functions but at very high cost, and against whose brand names and patents local enterprises have little chance to compete.

Second, similar to the first, but with patents eliminated, in which case local enterprises can legally copy the multinationals' products but may still find it impossible to compete against their brand names.

Third, the next stage, the substitution of generic for brand names, which may still be ineffective because the multinationals can, as they do now in Pakistan, continue to persuade doctors that their products are superior, and so still create a monopolistic privilege by inducing consumers to buy drugs made by particular companies.

Fourth, the elimination of foreign enterprise altogether, with local manufacturers buying intermediate products from the lowest-priced world sources — from small firms selling under generic names in developed countries, or from producers which copy new technology cheaply (Italy), or from the Socialist bloc[37] — which may save a great deal of the foreign exchange cost of multinational profits, but may not prevent the social wastage inherent in private marketing of drugs.

Thus, a nationally-owned, but private, drug processing industry would be able to take advantage of price differentials and non-patent-observing producers in world markets, but it would continue to be dependent on imports and it would not resolve the basic contradictions involved in the private selling of medicines. Thus, local firms would probably end up using tactics of advertising and promotion similar to those used by large firms in the developed countries — and this would occur even if brand names were banned, as long as the manufacturer's name were identifiable — thus raising the final price to the consumers. The social costs would remain internal, rather than flowing abroad in the form of foreign profits, but the most important aim of reform would still not be achieved. Furthermore, the dangers of inadequate quality control may be higher if local firms are less stringent than foreign ones, and if the government is incapable of implementing proper controls. The ultimate advantages of reform may be substantial, however, if this particular risk is averted, and if the local oligopolists are able to sell at prices lower than the present ones.

The options open to LDCs, such as India, which have sophisticated public sector production units, advanced chemical industries and relatively well-developed administrations are much broader. To continue from the fourth 'package', therefore:

Fifth, a more or less complete self-reliance in the production of intermediate chemicals, in either the public or private sectors, copying technology from abroad whenever necessary without paying royalties, and completely locally owned production of pharmaceuticals (again without eliminating private marketing costs), with strict quality control measures by the government.

Sixth, continued reliance on private pharmaceutical production but with a national purchasing service which determines individual drug prices on a fair basis, markets drugs purely by generic names, and provides doctors with the requisite information on drug uses and innovations.

Seventh, a complete socialisation of drug production as well as marketing, thus minimising the extent of private profit and, if so desired, running the industry as a non-profit making public utility. It is obvious that this seventh package can, if it is practicable, provide medicines at the lowest possible cost both to the country and to the consumer. That it is in principle practicable, is illustrated by the Egyptian example (and by the more limited one of India); international patents can be disallowed, as in Italy; and socialised distribution can be introduced, as in the Socialist countries. Whether the actual costs will reach the optimum level envisaged or not will depend on whether public sector units can be run efficiently, whether quality control can be enforced, whether a government distribution and information system operates smoothly, and, of course, whether the political situation of the country will compell such a radical change.

In the particular case of India, while there is bound to be considerable political opposition to a complete public take-over of the pharmaceutical industry, matters have changed greatly from the fifties, when the private sector could actually hinder determined moves in this direction. The problem of quality control is, if anything, worse under the present system of thousands of small producers than it would be with a few large public sector units; the elimination of the small units would by itself rule out many of the present abuses. The provision of regular and up-to-date information on drugs to doctors should not prove very difficult, especially if the government uses the results of clinical tests and official checks done in the developed countries. Since the technology of drug production is basically not very complex, the copying of foreign products should be fairly straightforward. In the few cases where there are lags or difficulties, the drugs could always be imported from cheap sources abroad. The only remaining question concerns efficiency. However, as long as one accepts that there is no *intrinsic* reason why public sector units should be less productive than private ones, experience and effort should resolve it with time.

We conclude, therefore, that in the long-run, the best way to deal with the various complex problems of the present international pharmaceutical industry, as it operates in the LDCs, is to move towards a socially-owned indigenous pharmaceutical industry; which copies foreign technology, bans brand names, and markets the products through official agencies. Given the social importance of this industry, and the human costs involved in the present high-price structure, it is vital that the reform be undertaken as a matter of urgency. Prevarication can only serve to worsen the dependence on multinational firms and increase the social costs of such operation.

Notes

1 See Wortzel, 1971, for a brief description of the pharmaceutical industry in LDCs.

2 The market shares of multinational pharmaceutical firms in the late sixties were as follows in some selected LDCs; Brazil, 78 per cent, Argentina, 65 per cent, Peru, 95 per cent, Venezuela, 90 per cent, the Philippines and Central America, over 80 per cent. See Wortzel, 1971, and Vaitsos, 1973. See below for details on India.

3 On the effects of patents in LDCs see Penrose, 1973, Vaitsos, 1973, and UN, 1964.

4 UN, 1964, pp 94-5.

5 Vaitsos, 1973.

6 Vaitsos, 1973, p 75. The foreign ownership of pharmaceutical patents was 98.4 per cent as compared to 94.5 per cent for all industry.

7 Cooper, 1967, p 40.

8 This is probably even more true of the pharmaceutical industry, in which all the LDCs together account only for about 16 per cent of total non-Soviet Bloc pharmaceutical consumption. See Wortzel, 1971, p 40.

9 Vaitsos, 1973. See also the views of the Indian Government as expressed to the UN, in UN, 1964, p 57.

10 Vaitsos, 1973, estimates that 98-99 per cent of patents taken out by foreigners in Colombia and Peru were unexploited in 1970, the bulk of them in the pharmaceutical industry. The Indian Government, quoted in UN, 1964, levels the same charge, though the exact proportion of unexploited patents is not mentioned.

11 Penrose, *loc cit*, p 783.

12 *Ibid*, p 784.

13 Here we are considering costs above the 'normal' ones of excessive profits, which also results in foreign exchange drains, and high marketing expenses, which are generally in local currency unless the advertising firms are also foreign owned.

14 See Lall, 1973.

15 These two figures are derived from details of public prosecutions of pharmaceutical firms published by a Bogota newspaper (*El Tiempo*, 1971); the annual savings achieved by reducing the prices of these two chemicals came to US $ 384.6 thousand.

16 The last two are from Vaitsos, 1973, Table 7; where Diazepam is mentioned as 'substance of Valium'. These two figures are the highest recorded for overpricing in this table, but are not very startling when compared with the 4,000 per cent and 4,500 per cent overpricing respectively found by the British Monopolies Commission's investigation of Roche (p 38).

17 Agarwal, *et al*, 1962, and Ministry of Foreign Trade, 1972. A different estimate for 1966 puts the share of the largest 25 firms at 74 per cent of the total market, and claims that this has not changed much till now. (Mote and Pathak, 1972).

18 OECD, 1969, Table 2.

19 Mote and Pathak, 1972.

20 *RBI Bulletins*, 1972 and 1973. The definition of 'foreign controlled' used by the Reserve Bank of India includes firms with 40 per cent or more foreign equity and other firms which are foreign managed and have 25 per cent of their equity held abroad. As these firms cover only public limited companies, wholly owned branches of foreign firms are not included; these account for 12 per cent of total foreign direct investment in the pharmaceutical industry (*RBI Bulletin*, 1971).

21 This range may be slightly higher if branches of foreign firms are included, bringing it to 70-80 per cent.

22 From Roche's annual accounts. The firm has now been in operation in India for over 25 years with a foreign shareholding of 89 per cent in 1968.

23 See RBI, 1968, and Ministry of Foreign Trade, 1972. This may be compared with an average of 31 per cent for a sample of 20 pharmaceutical firms in Colombia. (Lall and Mayhew, 1973).

24 See, for instance, Kidron, 1965, Agarwal, *et al*, 1972, and Government of India, 1971.

25 See Kidron, 1965, p 251.

26 Agarwal, *loc cit*, Table 3. Roche's price was slightly lower than the equivalent in the UK (about Rs 18), but is much higher than the price recommended by the Monopolies Commission, and now enforced by the British government.

27 *Ibid*, Table 1. Both these products were introduced over 25 years ago, so they are in no way an embodiment of heavy recent research expenditures.

28 *Ibid*, p 2,290. Doctors also mention that high priced treatment is considered more effective, and is sometimes treated as a status symbol by rich patients.

29 This has also been noted for Egypt in an unpublished study by Handoussa, mentioned in a footnote on p 777 of Penrose, 1973.

30 Agarwal, *et al*, 1972.

31 For details, see Mote and Pathak, 1972.

32 Agarwal, 1972.

33 See Gupta, 1970.

34 Kidron, 1965, pp 163-5.

35 RBI, 1968, notes the heavy incidence of restrictive clauses in technical agreements of foreign subsidiaries in this industry, p 38. Despite official efforts, restrictive clauses are still present in many agreements.

36 While the following discussion does not go into the role of local R and D in LDCs, clearly indigenous research is not excluded; there is no reason why local efforts should not complement research done abroad, though it is unrealistic to envisage complete self-sufficiency in this field. For reasons explained above, there should be no detrimental effect on the amount of R and D done in developed countries if less-developed ones do not buy patents from the innovating firms; this is assumed throughout.

37 Total dependence on the Socialist bloc may, of course, lead to monopolistic pricing on the part of the suppliers. The role of continuously 'shopping around' is vital.

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Semi-Feudalism, Usury Capital, Etcetera

Ashok Rudra

IT is a pity that such a discerning and careful observer as Pradhan Harishankar Prasad should make such careless sweeping statements as he does in his article on the role of usury capital in *Economic and Political Weekly*, Special Number, 1974. By Prasad's own statement his observations are based on his "intimate contact with some of the rural areas of Bihar", and by his own judgment his data-base is "too small for any generalisation for the country as a whole". This, however, does not deter him from making the statement that "the aforesaid semi-feudal model (but for variations in details) is, by and large, valid for most parts of the rural India". The few correlation co-efficients he calculates for this purpose are thoroughly inadequate to support such a strong proposition. If Prasad has got intimate knowledge of some parts of Bihar, the present writer has also acquired, during the last five years or so, some direct first hand knowledge of conditions prevailing in West Bengal agriculture. In particular, during the last one year he has been carrying out an enquiry in the different districts of West Bengal in to precisely the type of question in which Prasad is interested and the information so gathered will be soon released. While we have no "model" for West Bengal agriculture as a whole, let alone for conditions in "most parts of the country", we can only point out that many of the conditions described by Prasad does not seem to hold true for most parts of West Bengal. Let us quote *in extenso* from Prasad such characterisations as do not seem to hold for West Bengal in the same way as Prasad finds them to hold for Bihar. Speaking of the "big landowning class" Prasad writes: "... it is this class which shuns rapid development because it is likely to improve the economic condition of the semi-proletariat who can thereby free itself from bondage". Speaking of consumption loans taken by the "semi-proletariat" from the big landowners, he writes "The stipulated rates of interest on these loans are very high. Often as high as 100 per cent per annum". Usury, according to him, creates an "indissoluble bond between semi-proletariat and his overlord".

N K Chandra, writing in the same issue of this journal, gives an identical characterisation of "semi-feudalism", though he is much less sweeping and very much more cautious in asserting that such "semi-feudalism" prevails in the whole country, though he tends to think so. In his words, two characteristics of semi-feudalism are "perpetual indebtedness of the small tenants" and its preventing of "capital investments in agriculture, for such investments would increase production and if the tenant's share remained constant the tenant might get out of his debts".

In the course of our investigations in the different districts of West Bengal we have failed to encounter the land owning class that finds it more in its economic and social-power interest to resort to usury rather than to capital investments. In many parts of West Bengal we have encountered landowners who are very much engaged in capital investments in the form of irrigation, fertilisers and high-yielding variety seeds, and where this tendency is present, it is found to be equally shared by landowners who give their land out on lease to sharecroppers and those who cultivate it themselves with the help of hired labour. In the former case, it has become almost a universal practice in West Bengal for owners and tenants to share the costs of seeds and fertilisers in the same proportion in which output is shared (e g, 50 : 50 in most parts, 60 for owner and 40 for tenants in some others, 22 for owner and 18 for tenant in some others, 1/3 for the tenant and 2/3 for the owner in the Kisheni system of Birbhum); also universalised has become the practice of owners paying for the irrigation costs and advancing the tenant's share of the costs of seed and fertilisers. These advances are repaid by the tenant in terms of crops at the time of the harvest. No interest in charged by the owners on these advances in any of the numerous cases we have investigated. This arrangement amounts to the owner bearing the costs of seeds and fertilisers and a change in the traditional shares in favour of the owner by corresponding amounts. The fact that the landowner takes the trouble of bringing about such an arrangement which overcomes the disability and the disincentive of the sharecropper for making investments and the fact that he makes advances without charging interest on them belies the idea that he is not interested in productive investments but only in usury. It is because of this cost-sharing arrangements with interest-free advances that owner-operated farms and tenant-operated farms do not show any difference in their performance — a matter that we reported upon in our joint article with Aparajita Chakravarty. Prasad has made a very peculiar interpretation of our results which takes no account of the difference in performance we have noted for small tenant-farmers. Our explanation is simple. A small tenant-farmer, even when provided a helping hand by the owner, cannot go in for improvements in cultivating, whereas a big tenant-farmer can.

Another important point on which our findings differ from the model of Prasad and Chandra is in respect of consumption loans. That poor tenants, farm servants and casual labourers are bound to landowners through consumption loans is a universal fact in West Bengal; but in most of the cases we have encountered, such loans, when taken by a tenant from the landowner from whom he has leased in land or by a farm servant from the landowner for whom he works, is free of any interest charges. Consumption loans taken by landless labourers is typically repaid by him by providing the landlord with free labour at any time it is demanded by the latter, the quantity of labour to be so provided being calculated at a wage rate somewhat lower than the ruling wage rate at the time the labour is given. Interest at rates of 10 per cent or more per month is of course charged whenever one takes a loan from a rich landowner and/or a moneylender *other than* the one with whom the borrower has an attachment relation as tenant or farm servant. Thus, while usury does exist as the principal occupation of some moneylenders or the subsidiary source of income of the landowning class, it does not appear that the landowning class in West Bengal is primarily dependent on usury interest for its income. If our finding is correct then there has of course to be explanations in terms of the concepts that have been used by Prasad and Chandra, e g, "capitalism", "semi-feudalism", "surplus labour", etc. We shall postpone such a fuller discussion for the occasion when we shall present the findings of our survey. For the moment we wou'd like to make the following observations:

(i) If generation of surplus through the employment of wage labour, appropriation of that surplus by the owners of capital and reinvestment of that surplus for the purpose of expansion of that capital be a characteristic feature of capitalism, then there are indeed increasing manifestations of such capitalistic features in West Bengal agriculture. This statement would not be affected by Chandra's painstaking effort to show, with very meagre data, that there is not very much evidence of concentration of land holdings having increased. Chandra has, I believe, gone on the wrong track in looking for concentration of land measured in terms of its surface area. What ought to be crucially relevant is the value of land, not acreage. I suggest that there has indeed been a very acute increase in the concentration of the value of capital in the form of land as a result of investments on land carried out by the large landowners.

(ii) If being bound by various obligations to a particular employer, and thereby not being the owner of free-selling labour power, be a characteristic feature of feudalism, then such feudalistic features continue to exist in various forms both in farms cultivated by tenants and farms cultivated by hired labourers.

(iii) Chandra has talked a great deal about "labour surplus on a scale that is probably unparalleled in human history". A distinction has, however, to be drawn between a surplus in the actual labour supply and a surplus in the labour that the agricultural population is potentially capable of supplying. It is well known that because of class and caste considerations, a very large part of the agricultural population does not actually work on the field, so that the potential labour supply with them does not affect the labour market. Even among those who are by occupation labourers, a great deal of unemployment during the lean seasons co-exists in many parts of West Bengal with a scarcity of actual labour supply in relation to labour demand during the peak periods. This provides the economic incentive to the landowners to go in for arrangements that guarantee supply of labour during periods when they need it most.

Before concluding, we would like to make observations on two points made by Chandra. In spite of the great caution he displays in making any generalisations he permits himself to make the following very careless statement: "at least in the context of Bengal, no one has suggested that [tenancy] is a dying institution, even less that it is substituted by hired labour farms ... Rarely does the landlord himself take to cultivation hiring labourers under his own supervision." Let Chandra come to Birbhum district and visit any village and he will see how the Kisheni system has been almost completely replaced by cultivation with the hep of hired labourers. (Kisheni is a share-cropping system with some peculiar features that was until recently widely prevalent in the Birbhum district. The outstanding peculiarities of the system are: (1) Kishen, the sharecropper, supplies only his labour, everything else including bullock, plough and manures are supplied by the owner. (2) The Kishen's traditional share is only 1/3. (3) The Kishen does not have the right to work for more than one owner at a time. (The Kishens are very much tied to their masters by consumption loans, but the loans are typically interest free.)

The second point relates to the interpretation of Chandra's statistical results of his Table 4. In one place he notes that some of his b_1 co-efficients are significantly positive and some others are significantly negative and he abdicates by saying "we leave it to the statisticians to tell us its statistical implications". He does not seem to notice that the positive co-efficients hold for the villages that are "treated" and the negative ones for those that are "not treated". The obvious interpretation seems to be that there is positive association with size when cultivators have been "treated", that is exposed to and given facilities for improved methods of cultivation; and negative association when such is not the case. Incidentally, as Chandra did take resort to pooling of test results by the p-lambda technique, why did he not pool the results for the data contained in the different volumes?

Tata Chemicals Limited

Statement of the Chairman, Mr J R D Tata

THE following Statement by Mr J R D Tata, Chairman, Tata Chemicals Limited, dealing with the Company's working for the year ended June 30, 1974 has been issued to the shareholders:

Continued Progress

There is little for me to add to the Director's Report insofar as the operating and financial results of the past year are concerned. Once again, and for the twelfth year in succession, the Company has produced better results than in the previous year and thus continued to reward the confidence of those shareholders who stood by the Company and never lost faith in its ultimate success even during the first difficult sixteen years of its existence when their investment yielded no return.

The Road to Success

A fund of varied experience and many valuable lessons can be drawn from the history of the Company over its 35 year existence, from its early trials and tribulations as well as from its subsequent spectacular recovery and continuing progress since then, from its failures as well as from its successes, from the courage and dedication of its staff in the face of adversity, from the determination and skill of its expert engineers and chemists in learning the hard way to master on their own one of the world's most secret and well guarded industrial technologies, and last, but far from least, from its record of service to its customers, its employees and the community.

The one lesson that stands out in the case of Tata Chemicals, as in that of other Tata companies which have sought and struggled to establish basic industries in India from the ground up, and with little or no outside assistance, is that the road to success is a long and rocky one requiring relentless pursuit of technical excellence, an immense amount of patient, hard work and efficient, imaginative and socially conscious management.

It is because these qualities have been available to it in abundance that our Company has reached its present position, and to no single person do we owe more than to your present Deputy Chairman and Managing Director who for the last twenty years or so, has provided inspired leadership and technical and managerial skills of the highest order. Perhaps the very fact that the Company went through such hard times for so many years has been in part responsible for the magnitude and determination and persistence of the efforts that had to be made to overcome the initial obstacles in the way, which seemed almost insurmountable at the time, and to develop, without any help from abroad, the present degree of technical expertise perhaps unsurpassed in the world, which the Company has achieved in its specialised field.

Its high technical competence, built-in capacity for growth backed by its growing profitability combined with its ability to design and build virtually all process equipment are, I am sure, a source of satisfaction to the shareholders, but I hope they will also appreciate the high reputation, it has established for itself and maintained at substantial cost, for its industrial and marketing philosophy, and for the manner in which it has discharged its obligations to society, be it to consumers, employees, or the people of the region of the country in which its operations are located.

Social Obligations of Industry ...

While our management have always recognised their prime duty to the shareholders of ensuring to the Company a continuous process of growth and increasing profit, they have been equally conscious of the importance of its social obligations not only from the ethical and humanitarian points of view, but also in the interests of the Company itself and of the good name of Indian private enterprise which has been under so much fire in recent times, unfortunately often with some justification.

... to Consumers

Thus, in the interests of the consumer, your Company has, for many years, not only maintained the selling prices of its principal products at levels below those of other manufacturers, but has also supplied them to the maximum practical extent direct to the ultimate user, thereby protecting him from exploitation by unscrupulous market elements.

... to Employees

The interests of its employees it has constantly promoted and safeguarded, not only through fair wages and bonuses, but also by providing them with good living conditions and civic services, and an ever-widening range of amenities for themselves and their families. Though located in an arid part of India, lacking natural living advantages or scenic beauty, Mithapur has been developed into a pleasant township, in which all those who work in it and their families are well looked after and made to feel part of one big family.

... to the Community

So far as the community is concerned, the Company has always felt a sense of responsibility towards the peasant population of Okhamandal amongst the poorest in the country, who even in normal times have to eke a hard living from a parched and ungenerous land and who suffer great hardship in times of drought, a fate which has overtaken them in acute form during the last three consecutive years.

A Programme of Relief

Treating the whole of Okhamandal and its population of about 80,000 scattered in 42 villages, as the home of Tata Chemicals, the Company has undertaken an intensive programme of relief, providing drinking water to the villagers, medical care and vitamins, subsidised feed for famished cattle, and employment opportunities for thousands of men and women engaged on special capital jobs.

With Okhamandal this year in the grip of the worst drought in living memory, this programme has been intensified and our relief programme now includes the creation of cattle sanctuaries on land donated by village Panchayats and providing them with gajraj grass, cattle sheds, and bio-gas (Gobar Plants) to meet fertiliser and energy needs, planting a hundred thousand trees, drilling tube wells and deepening and desilting existing wells, and other projects of assisted self-help. This programme will be continued until the Okhamandal community is reasonably protected against the vagaries of nature and becomes fully self-reliant.

Apart from these activities based on meeting the relief needs of Okhamandal or supplementing those provided by government we have felt, with the considerable improvement in our fortunes

and the growth of our disposable funds, that the Company should look beyond serving local needs and should apply some of its growing material resources and human skills to a project of national importance. This is the genesis of the creation of the Tata Energy Research Institute (TERI), briefly mentioned in the Directors' Report.

Role and Problems of Energy

The economic progress of any country, particularly of an underdeveloped country such as ours, requires the production and consumption of immense quantities of energy in various forms. One of the major causes of India's continuing poverty and slow economic growth has lain in the inadequacy of its production of usable energy.

The cost of creating additional power capacity in large central plants based, as most of them must be on hydrocarbon fuels, to which must be added the cost of developing coal or oil sources, has become astronomical these days. While this fact applies to all countries of the world, its impact is particularly severe on a poor country like India which faces the additional problem of the large dispersal of its enormous population over hundreds of thousands of villages, many of them deprived of easy access. Thus the cost of distribution of the electric power needed for the development, too long neglected, of our agricultural economy, would itself involve gigantic expenditure and effort. The oil crisis created by the quadrupling of the price of oil by the oil producing countries of the world, has greatly aggravated this problem for us.

Against this background, there is a clear need in our country for a long-term concentrated research and development effort directed at seeking and, where possible, providing alternative and cheaper sources of energy, particularly in those forms which could be produced on a relatively small scale near the actual places of consumption.

That there are potentially additional as well as alternative sources of energy is well known. Apart from fresh discoveries of oil fields, the sun, the winds, the tides, water flows large and small, geophysical heat, amongst others, are all potential additional and alternative sources. So far as solar energy is concerned, it may be noted in passing that no one in India makes greater use of it than Tata Chemicals in the production of salt.

A Project of National Importance

In the light of this great and urgent national requirement, Mr Darbari Seth conceived the idea, wholeheartedly approved by the Board, that Tata Chemicals should establish and support a specific and concentrated programme of research in the problems of conserving and making the use of existing energy more efficient and less polluting; and in the development of new sources of energy, with particular emphasis on non-depleting and non-polluting sources and on energy capable of being economically produced on a small scale and dispersed basis with minimum distribution and transportation costs. As the first step towards implementing such a programme, your Company has launched the Tata Energy Research Institute, registered as a Society at New Delhi, under the Societies Registration Act, 1960, with an initial contribution of Rs 1 crore. This amount, which has been paid by the Company out of its revenues of the past year will, under the enlightened policy of government which recognises the need for maximising research in the country, be fully chargeable to revenue expenditure under the Income-tax Act.

The first step having thus been taken, we are now engaged in studying the many problems of the project in the fields of organisation, technology and personnel, which will have to be resolved before the Institute can begin to function. It will obviously require much larger funds in the years to come. To this your Company will, I hope, make its due contribution, whether in money or in participating in the research work, some of which may well be centred at Mithapur.

I firmly believe, and hope, that shareholders will agree that by launching this project, your Company is making, well within its resources, a national contribution to a cause and a purpose, the fulfilment of which may play a vital role in the future economic development of the country and the welfare of its people. It is particularly apt that this project has been launched in the year which marks the centenary of Tatas in industry.

If I have devoted the bulk of my statement to matters not directly concerned with the operations and profitability of the Company, it is because, as indicated in my opening paragraph, there is this year little that I can usefully add to the detailed information provided in the Directors' Report. Shareholders may be assured that however great the interest that we may take in these exciting programmes of public service at both the local and national levels, they will not be allowed to detract us from our primary duty and purpose of increasing the productivity, efficiency and profitability of the Company in the interests not only of the shareholders but of the country as a whole.

Fertiliser Project

I am sorry, in this context, that no further progress has been made in the Tata Fertiliser Project. While our interest in it and our earnest wish to participate in an activity so vital to the agricultural needs of the country remains undiminished, we still await from government a clear enunciation of policy parameters which could make the manufacture of heavy stock-based fertilisers viable. The seven wasted years that have passed since those hopeful days when the scheme was conceived have enormously increased the magnitude and complexity of the project and I doubt that we can now look to its early revival, particularly in the light of the fuel crisis, credit squeeze and collapse of the investment market.

Issue of Bonus Shares

In order that shareholders may not feel let down by my Statement as mentioning little of direct benefit or interest to them, I have kept for the end my comments on the bonus share issue mentioned in the Directors' Report which your Board have decided to recommend to the shareholders and government and which I am sure is a matter of great interest to the shareholders.

In the days when such matters could be decided on purely rational considerations, free from government control or intervention, it was considered sound practice to issue bonus shares out of free reserves only to the extent, and as and when, the Directors felt it would be possible to maintain the existing rate of dividend per share on the expanded capital. Such a policy used to be welcomed by shareholders themselves.

Times have changed, however, and it is in the light of conditions now prevailing and in conformity with guidelines prescribed by government that your Directors have decided on recommending, on this occasion, the issue of bonus shares in the ratio of 1 for every 2 held. Shareholders will, I am sure, appreciate that even when the present mandatory limitation on dividends is removed, as I hope it will be in the reasonably near future, it will not be possible, at least for some time,

for the Company to restore on the expanded capital the rate of dividend per share paid on the ordinary shares before the dividend restriction ordinance. While it is naturally not possible for the Board to make any commitment at this stage as to the time it will take before we can do so, shareholders may reasonably expect that, barring unforeseen circumstances, the total amount distributed in dividends on ordinary shares after the bonus issue will be somewhat greater than that which would have been distributed this year had not the Dividend Ordinance intervened, and that, with the continuing growth of our operations under our current and future expansion schemes, they could look forward to a still larger distribution in subsequent years.

A Tragic Loss

Before closing, I should like to add my own expression of deep sorrow at the tragic death in a car accident, met with in the course of duty, of three valued members of the Tata Chemicals family, including that of my colleague on the Board, Mr H P Shroff, and of Mr D G Pujari, Administration Manager both of whom had played over many years a distinguished part in the growth and technological achievements of your Company. Their premature death is a severe loss to us and I am sure shareholders will wish to associate themselves with the sympathy and condolences conveyed to their bereaved wives and families.

Once again it is my pleasure to end my remarks with an expression of congratulations and gratitude to all members of the organisation, whose loyalty, determination and hard work have brought this Company to its present place of unchallenged leadership in its field of the Chemical industry.

J R D Tata
Chairman

Bombay, 18 November, 1974.

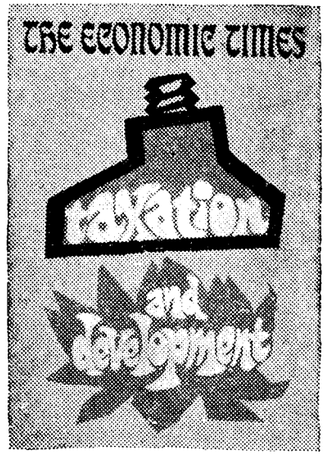
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TAXATION, INFLATION AND DEVELOPMENT

The Economic Times Annual this year turns the spotlight on problems of taxation, inflation and development. Experts examine various aspects of direct taxation and assess the impact of tax policies on investment, development and income distribution.

There are special studies bringing out the differences in personal taxation as between countries, the shifting of corporate taxation, the marginal utility of income and progression in taxation, problems of agricultural taxation, tax exemptions and concessions, inflation, tax evasion and black money.

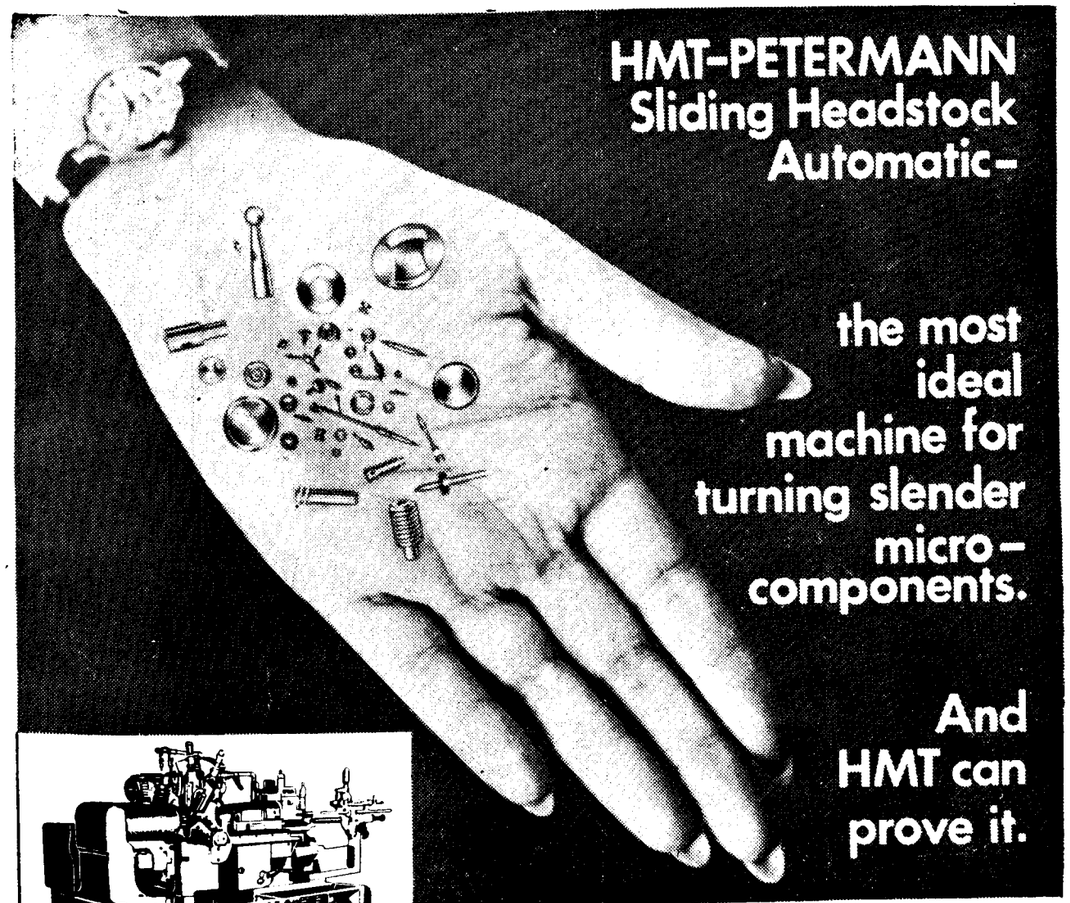
An entire section is devoted to the concept of the value added tax and its relevance to developing countries like India.

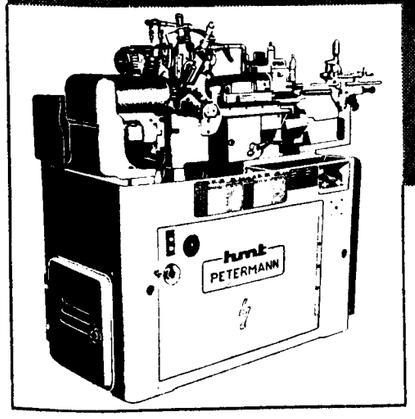


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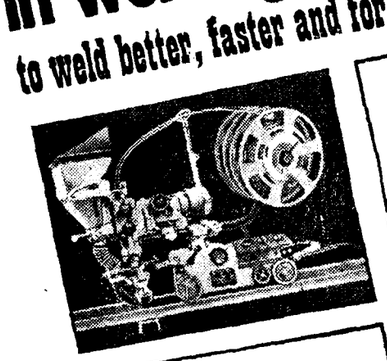
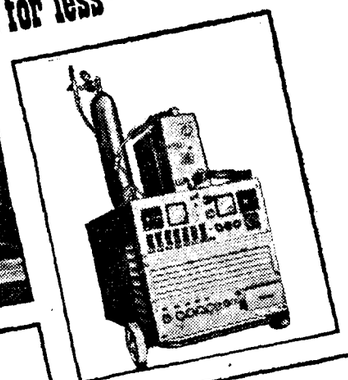
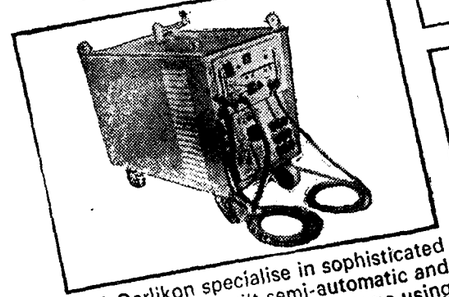
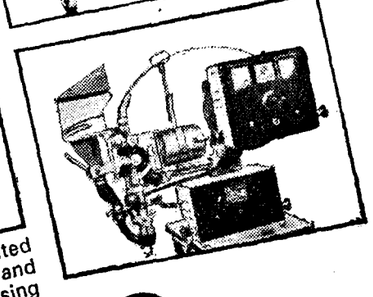
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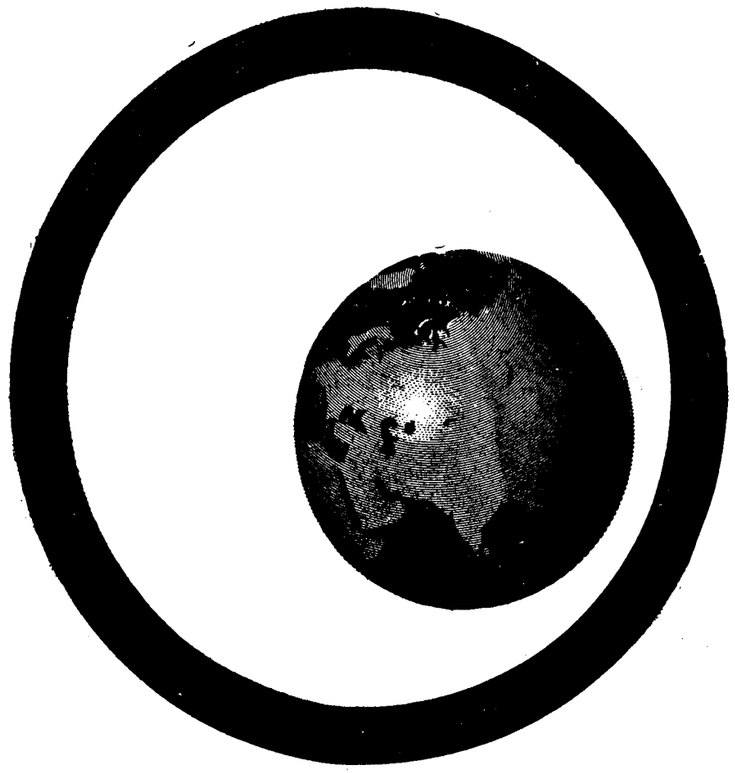
ECONOMICS AND POLITICS OF GROWING GRASS

ATIONAL ACCOUNTS AND REGRESSION ENTHUSIAST

A HANOI DIARY

CREEPING SHADOW OF ELECTIONS

REVIEW OF AGRICULTURE



The world had nothing before it got zero

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Founder-Editor: Sachin Chaudhuri

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A A Dalvi

Sinister Calculation ?

FOR whose benefit is this suspense? For a number of months newspapers have felt free to speculate about the future of the Union Minister for Planning, Durga Prasad Dhar. That his exit from the Cabinet is imminent has been taken for granted by everybody, including apparently he himself. On the floor of the Lok Sabha, members have hurled questions at him, enquiring about the fate of the Plan on his exit. D P Dhar, while fielding such questions with his usual quota of grandiloquence — such as about the noble design of Indian planning being impervious to the shuffling of personalities —, has not directly denied the fact that he is on the point of being relocated. Newspapers, apparently supplied with information from altogether unimpeachable sources, have also gone to the length of naming his successor in the Planning Commission.

Such being the case, there is every justification for feeling somewhat Macbethian in regard to the matter: if it were done when it was done, then it is as well that it is done quickly. It is not even quite one year since the government went to town with the draft of the Fifth Plan, and was seemingly prepared to fight till the resignation of the very last member of the Planning Commission for the targets and the instruments of policy delineated therein. The fizz did not last even a few weeks. The erosion of the government's confidence in its ability to push through the physical programmes outlined in the Plan has been extraordinarily rapid; the devaluation of the Planning Commission — and the Planning Minister — has, quite naturally, proceeded at an equally accelerated rate. Now nobody appears to be aware what is to happen to the final draft of the Plan. While some functionary of the Planning Commission goes on record that the basic contours of the Plan are not for mutation, the Union Finance Minister provides an altogether different impression. The developing mystification is thus at two levels, and concerns the following queries: (a) when is the reshuffle of the Commission going to take place, and (b) what is the nature of the changes proposed in the structure and size of the draft Fifth Plan,

It could be that answers to the two queries are inter-connected, and the second one cannot be replied to without providing the reply to the first. If this be the case, there is all the greater reason for hurrying through the change-over and getting rid of the present phase of indecisiveness and uncertainty. From its performance in Parliament in the session just ended, as well as outside, it is quite evident that the government is at bay: it has little clue to the sources of the malady afflicting the economy; its stance has accordingly been reduced to a series of shuffling-about and peremptory recourse to *ad hoc* measures, very few of which are related to, or are coordinated with, each other.

In such a situation, it is natural to develop an obsession for short-term issues, and to let the administrative live from day to day. On the other hand, a large part of the present difficulties could be attributed to precisely such excessive minding of transitory issues, which in turn has stifled the capability of the government to fill in the crucial role of being the leading and guiding sector for promoting accelerated economic growth. Fire-fighting exercises, such as is the current fashion, may temporarily patch up the difficulties, but they are no insurance against continuous recurrence of economic troubles.

The focus has therefore to be refixed on the correlates of integrated, time-phased development; which is to say, planning has to be brought back into the picture. Given the inertia of annual — or, for that matter, six-monthly — budgeting, the shrinkage of public investment would continue, and there would be a corresponding enlargement of the area of operations of autonomous economic factors. But this is exactly what has brought the current difficulties along — both by deliberately distorting the national priorities and by encouraging insensate dissipation of precious resources. Nothing could be more fatal to the long-range economic prospects than the persistence of this drift. It can be ended only by restoring to planning the central location in the gamut of economic decision-making. Every day the current vacuum in planning continues, the damage to the economy aggravates.

The delay in the expected announcement concerning the new set-up of the Planning Commission would thus appear in a somewhat sinister light: could it be that influences are at work trying to prolong, as much as is possible, the present state of limbo, and the rate of private net return thereon too has been carefully calculated?

United States

Predicament of a Besieged President

SO the recession in the United States is no official. The number of registered unemployed had risen to close to 3 million by the end of November; at 6.5 per cent of the labour force, the rate of unemployed is the highest since the early 1940s. But considering the fact that the general price index too is still continuing to advance at a rate between 8 and 10 per cent, any conventional prescription to stimulate the economy would appear to be about equally hazardous. To provide tax relief and to start public works programmes on a selective basis would both entail, other things remaining the same larger fiscal deficit, which can only further push up price, at least in the immediate period. What has become the conventional presumption in the past 40 years is the hypothesis that the initial unfavourable impact on prices notwithstanding, direct tax concessions as well as public investment activity would revive demand, expand employment and generate enough additional output to take care of the initial increase of purchasing power in the system. But it is no longer the simple world of early keynesianism. Through contra-cyclical policy, it might be possible to stimulate demand, but not necessarily in those sector and industries where unemployment has been the most acute. An increased pressure for food articles can scarcely underwrite the resuscitation of hope and faith in Michigan's far-flung automobile industry. In economic text-book there would still be scope for inter-sector movement of the working force, the excess labour from Detroit would join the food-processing industries which would begin to experience a shortage of men, and everything would hence work out fine. No such adjustment is possible in today's real, rigid world. To count the possibility of a still higher level of prices in order to obliterate the recessionary spectre might therefore not appear to be a prudent proposition even in economic terms.

Monetary measures are likely to prove equally unsatisfactory. A general manipulation of the Federal Reserve Board's rates structure might cut both ways. Selective credit controls could, in certain circumstances, be somewhat more effective — the circumstances being defined by the degree of ability of the monetary authorities to assess with precision the necessary extent of restraints and encouragement for the different segments of the economy at each point of time, and by the degree of understanding which obtains between the administration and the decision-makers in the Fedeal Reserve Board. There is, besides, the important desideratum of universality in selective credit controls: these controls will not work it, because of political considerations, those who ought to be treated on equal terms are not treated equally.

The predicament of the badly besieged Republican President is beyond envy. Following the November elections, he does not now have even a tenuous control over the Congress: both wings of the legislature are currently Democratic. The Democratic legislators, irrespective of their personal economic philosophy, would be anxious for special works programmes and tax relief measures with which they could please their constituencies. The inflationary implications of such measures would not immediately detain them, it being for the Republican President to take the hindmost. On the other hand, were President Ford, mindful of these implications, to decide to veto free-spending proposals from the Congress, he would attract more opprobrium for himself and his party; besides, given the lopsided majority the Democrats enjoy in both the Houses, it is not even sure that the vetoes would not be overruled. And in case, the latter happens, the President's powers would experience a further precipitate decline.

The chaos in currency exchange rates and the consequences of the quadrupling of petroleum prices can merely add to the confusion. All things considered, therefore, Henry Kissinger or no Henry Kissinger, the American administration would have little time to any spectacular new initiative in foreign policy. A series of 'holding-out' operations, such as the one arranged with the Soviet Union in Vladivostock, would seem to be the order of the day. It would not quite be isolationism, but temporary lull in forging relations. A president with his back to the domestic wall would have few other options left. To the American recession and the American inflation would hence get added the chapter of American semi-effacement — at least till January 1977 when a new President will take office.

MRTP Act

Monopoly Growth Marginal?

Aurobindo Ghose writes:

"NI big rise in assets of large houses" says a newspaper report *(Times of India,* New Delhi, December 20, 1974). The impression is sought to be created that the growth of monopoly houses in recent times has been marginal and insignificant. Since the news is based on the third annual report on the working of the Monopolies and Restrictive Trade Practices Act, the further impression is sought to be created that the government has at last succeeded in curbing and checking the growth of monopoly houses. All this is misleading and very far from the truth.

The MRTP annual report states "None of the studies so far conducted by the government or by any independent agency would support the view held in certain quarters/individuals that there has been a 'big rise' in the assets of 'big business houses', either in absolute terms or in comparison to the rest". The evidence provided in support are two studies: one prepared in the Department of Company Affairs and the other by a newspaper *(The Economic Times).* The Department study has shown that for 301 companies registered under the MRTP Act, belonging to 23 industrial houses, the average rate of growth of assets between 1969-70 and 1970-71 came to only 8.6 per cent. The *Economic Times* study, on the other hand, showed that the rate of growth of assets of the top 101 industrial giants in the Indian private sector declined from 8.2 per cent in 1971-72 to 7.7 per cent in 1972-73.

It would be far fetched to conclude from these facts that the recent growth of monopoly houses has been only marginal, whether in absolute or in relative terms. An important question here is: how does one measure the annual growth of monopoly houses? By the growth of total assets (consisting both of current and long-term assets), or by the growth of fixed assets alone? The question is significant since the growth rate of total assets may be unduly influenced by fluctuations in the yearly additions to inventory stock — thereby concealing the possible growth of fixed capital. For example, the growth of total gross assets of 350 large public limited companies (each with paid-up capital of Rs 1 crore and above) fell from 9 per cent in 1971-72 to 7.8 per cent in 1972-73 (RBI *Bulletin,* February 1974). This fall in the rate of growth of assets was mainly due to a very steep fall in the rate of growth of inventories, from 15.6 per cent in 1971-72 to 7.6 per cent in 1972-73. During the same period, the growth rate of gross fixed assets increased from 7.6 per cent in 1971-72 to 8.9 per cent in 1972-73. This acceleration in the growth of fixed capital is in fact quite impressive when it is recalled that its rate had been actually falling upto 1970-71.

Even if in absolute terms the growth of monopoly is interpreted to have slackened, it cannot be said that it is growing more slowly than the rest of the private sector. The very *Economic Times* study cited in the MRTP annual report reveals that the fall in the rate of growth of assets of the 101 mini-giants in the Indian private sector (i e, those companies which ranked 101 to 202) between 1971-72 and 1972-73 was even more rapid than that for the top 101 giants. The rate of growth of assets of the mini-giants declined from 7.8 per cent in 1971-72 to 6.4 per cent in 1972-73 *(Economic Times,* February 5, 1974). Thus the growth rate of the largest private companies was higher than that of the next largest lot of companies. The RBI *Bulletin* studies too indicate that the growth rate of 350 large public limited companies during 1971-72 was uniformly higher than that of the 1,650 large and medium public limited companies, whether in terms of total gross assets (9 per cent as against 8.6 per cent), gross capital formation (9.7 per cent as against 9 per cent) or gross fixed assets (7.6 per cent as against 7.2 per cent). A comparison with the growth of small companies would further strengthen the argument.

In any case, it would be quite myopic to take a year-by-year view of the growth of monopoly houses. The growth of fixed capital of the monopoly houses occurs, not smoothly and uniformly over time, but in a jumpy, jerky manner. For instance, the Tatas might in the next four years add only Rs 100 crores to their total houses assets (presently estimated at Rs 800 crores), but in the subsequent two years the possible completion of the TISCO expansion project (worth Rs 1,800 crores by itself) would suddenly treble Tata assets from Rs 900 crores to a cool Rs 2,700 crores! Thus to comment on Tatas' growth rate on a year-by-year basis would be misleading. Monopoly's growth has always to be viewed over a fairly long period. And, from this point of view, it is clear from the available statistics that the growth of the monopoly houses has been phenomenal ever since the inception of the Second Plan.

The other impression regarding the government's successful curbing and checking of the monopoly houses is equally misleading. The MRTP annual report is much more cautious on this question. It states: "It will be hardly correct to conclude that the object of the MRTP Act is only to put down growth of assets of larger industrial houses. The MRTP Act aims at preventing concentration of economic power to the common detriment. The Act envisages restrictions on big business houses only when their growth comes into conflict with public interest." Further on, the report proceeds to bring out the precise attitude of the government towards the monopoly houses by referring to the different industrial policies in operation. This part of the report is a revealing confession of the government's actual intentions and deserves to be quoted in full:

> "In fact the Industrial Policy Resolution announced on February 2, 1973, reserves certain specified sectors for operation and expansion of these larger industrial houses. These include setting up of industrial undertakings in backward areas and investment in machine building, core and other heavy industries for which large capital is required. It is also necessary to emphasise that Section 21 of the MRTP Act, which seeks to regulate expansion of undertakings, itself provides that no approval is required if the expansion is in an existing line of production in which the undertaking is not dominant. Further, the provisions of the MRTP Act do not apply to a number of undertakings shown under large business houses by the ILPIC or by the MIC. They are neither dominant undertakings nor interconnected with other undertakings under Secton 2 (g) of the Act so as to attract the criterion of having assets of Rs 20 crores. The growth in their assets has not been restricted under the MRTP Act."

Despite this confession, the report is still hopeful of the MRTP Act having some impact in checking the growth of the monopoly houses. Only, in view of the "time-lag of 3 to 4 years between the date of issue of an industrial licence or a letter of intent and the commencement of actual production, it may be "necessary to wait for some time more to assess the impact of the MRTP Act on the assets of large industrial houses." The point is clear, however, that we do not have to wait to assess this impact. It is evident from the actual functioning of the MRTP Act that far from restricting the area and scope of the large houses, the Act is meant to rationalise their role in the economy. The underlying rationale of the MRTP Act is to effectively share out the potential areas of investment as between the monopoly or large-scale sector and the small-scale sector as also within the large-scale sector, between indigenous and foreign monopoly and also as between the different indigenous industrial houses. The main sacrificial goat in all this is small capital, as distinguished from small-scale industry. Small capital will be permitted to enter small-scale industries reserved for them and play their due ancillary role, but will not be permitted to become over-ambitious and enter the large-scale sector.

Most of the cases referred to the government under the MRTP Act have been cleared. Only a few have been rejected and that too for reasons of preventing internecine, intra-monopoly quarrels: for instance, Birlas and Tatas have been dissuaded from expanding too much in the caustic soda industry while Hindustan Lever, Modis and the Thapars have been allowed to enter the STPP and synthetic detergents industries *via* the caustic soda industry, which is an essential input for synthetic detergents. Data provided by the MRTP report regarding issue of licences to large houses are quite revealing. The 20 larger houses received 22 letters of intent in 1970, 31 in 1971, 35 in 1972 and 63 in 1973. Similarly, they received 20 industrial licences in 1970, 114 in 1971, 61 in 1972 and 48 in 1973. Nnmbers do not, of course, reveal the large-size of the individual investments that monopoly houses normally undertake. But it is clear that the operation of the MRTP Act is very unlikely to reduce the long-run growth of Indian monopoly houses. Whether such growth is considered in the 'public interest' or

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to the 'common detriment' is, of course, another matter.

Malaysia

A Rude Awakening

MALAYSIA has always been too good to be true. The landed oligarchs had come to a deal with the British planters, and life continued to flow on an even keel for both ever since General Templer ruthlessly put down the communist insurgency in the early 1950s. For a while, the predatory Chinese businessmen presented a few problems, but it was possible to include them too in the grand concordat: all that was needed was a clear-cut understanding about territorial and functional jurisdictions of one another. The British drew in the Malayan princes and princelings in the rubber-and-tin hegemony, and the Chinese traders too were made to disgorge a part of their commercial franchise to the local flunkeys. Given the recently-acquired respect and awe for the People's Republic of China, the Chinese settlers, besides, could be useful for a specific purpose, namely, as conduits for opening trade and economic relationships with Peking.

The booty was thus being shared out. The British hung on to their interests, the Chinese traders to theirs and the Malaysian plutocracy did not seem to mind: they had their share of the rake-off. There has been always a fantastic cleavage between Malaysia's domestic product and its national product, a vast share of the domestic product being consistently siphoned away abroad. But the ruling party, the United Malayan Nationalist Organisation — which is by now a polyglot consisting of all the richer sections of the community — could not care less: for the income and assets of *its* supporters were not at all adversely affected by this drain. It is the huge underprivileged masses at the other end of the spectrum who were made to bear the consequences of the fact that Malaysia's national income during the past decades has risen at a rate which is nearly one-half of the rate of rise of the country's domestic income.

The big plantation owners, whether British or indigenous, always had contempt for the large army of small rubber growers dotting the peninsula. These peasant proprietors have been a persistent irritant. They occupied a substantial proportion of good rubber-raising territory, and to that extent prevented the lateral expansion of the big plantations. What was worse, since they lacked the requisite resources, they were unable to adopt a scientific policy for replantation; to that extent, it could be seriously argued that their presence was harming national interests. There is an even more specific reason for their being disliked by the plantation owners. A stable labour force is crucial for any major enterprise. Apart from the migrant Indians and their descendants, the bulk of the labour supply for the Malaysian plantations come from the families of small growers. The fact that they could always fall back on their family farms has vitally affected the evolution of a separate ethos for the plantation workers, something which has continuously worried the ruling oligarchs.

As in many other countries, the squeezing of the small growers has been a major implicit item in the agenda for action on the part of the Malaysian establishment. The usual tricks of the trade have been played upon them. The state marketing board has cheated them on prices, on the alleged ground of the quality of their produce being substandard. Attempts to eject them from their land have been a regular occurrence, and the standard apologia has been the dire need of consolidation of holdings. State subsidy for re-cycling of plants has flowed in a niggardly manner to the small growers. For them, it has been an unequal battle of survival against the combined onslaught of the government and the big plantations.

Where the working class on their own are unable to fight for their rights, or their circumstances and organisation are too week to make an impression on the ruling elements, it has often happened in recent years in many countries that a section of the student community and the youth have taken the responsibility upon themselves to redress what appears to them blatant social wrongs. The universities are started by the elite in these countries for their own edification and are richly lavished. In no time, however, the instrumentality of these institutions is turned against the elite groups themselves. Something similar is now taking place in Malaysia; there is also a distant echo in the happenings of the events in Thailand fourteen months ago. Once you open up an avenue of educational opportunity, it is not possible to altogether shut out the offspring of the indigent sections of the community from it. Through the process of percolation, the children of Malaysian small peasant proprietors are also receiving, howsoever selectively, the benefits of university education. Their problems and grievances would appear to have received a sympathetic hearing along the corridors of the university at Kuala Lumpur. A radicalisation of thought was in any case taking place during the past few years within the stodgy portals of the university; the cause of the small agriculturists, and the demand of a better deal for them, has now provided the catalysis for an explosion.

Through use of strong-arm methods, the Malaysian government may be able to put down the current series of disturbances. But from now on it would be an unquiet situation, and the days of yore, which were a mixture of neo-colonialism and neo-feudalism, are doubtless over. However reluctantly, the ruling oligarchs in Malaysia would have to be rudely awakened to the socio-economic realities of today's world. It is puerile on the part of the rulers to heap the blame for the present trouble on the evil influence exerted by foreign students in the country. Foreigners can only contribute a marginal mischief; the basic malady is very much the creation of the country's rulers.

In Burma too, the charade over U Thant's dead body was a mere ploy; deeper down at work are perhaps some of the same species of discontent as are operative in Malaysia, and this despite the fundamentally different social framework. When prices soar and people are hungry, anger will be out, and even impeccable credentials will be of little avail for the rulers.

SUBSCRIPTION RATES

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

Concessional Rates for Teachers and Students

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

Concessional rates are not applicable to students and teachers outside India

The Spirit Is Willing, But...

Hansavivek

ASSOCIATED CEMENT COMPANIES has skipped dividend for the first time in its 38-year career, as its working during 1973-74 resulted in a loss and the dividend restrictions prohibit any distribution out of past years' profits Even part of the dividends for each of the preceding 15 years were paid out of reserves. N A Palkhivala, chairman, has assured shareholders that the company's financial position is sound and that the price increase from August last has put it back in a profit-making position which should enable declaration of a dividend for the current year. He has also said that since the price increase is backed by escalation clauses to cover the major items of cost, the company's position should remain stable in the coming years. However, he suggests that, instead of granting escalations in the price only once in 12 months as announced by the government, it would be better to adopt the tariff commission's recommendation of a slab system to ensure neutralisation of increase in the cost of manufacture whenever the cost went up by 50 paise per tonne. Palkhivala also comments that, while the company is keen to make its contribution towards meeting the rising demand for cement by putting up new plants and carrying out extensions at the existing works this would be "commercially unthinkable" unless an adequate retention price for new units is announced by the government and substantial concessional loans are made available out of the cement development fund as recommended by the tariff commission.

For the fifth year in succession, ACC's production was unsatisfactory. At 52.95 lakh tonnes, output was 78.6 per cent of the rated capacity of 67.37 lakh tonnes. The shortfall was due to power limitations, coal shortage and inadequate supply of wagons. With costs continuing to increase and the selling price remaining unaltered, except for an interim increase of Rs 10 per tonne from mid-September 1973, the outcome for the company was dismal. The entire remuneration of Rs 4,69,116 paid to the managing director and three whole-time directors is in excess of the statutory limits prescribed under the companies Act, but applications are being made to the government for sanction of the remuneration. Last year, in response to the company's applications, government sanctioned payment of remuneration in accordance with the revised guidelines issued by the department of Company Affairs. The total remuneration of Rs 4,65,584 paid to the managing director and three whole-time directors stood reduced by Rs 85,727.

ACC's Shahabad heavy engineering plant is proposed to be transferred to

The Week's Companies

(Rs in Lakhs)

	ACC		Bharat Forge		Mysore Kirloskar		Phosphate	
	Latest Year 31-7-74	Last Year 30-7-73	Latest Year 30-6-74	Last Year 30-6-73	Latest Year 30-6-74	Last Year 30-6-73	Latest Year 30-6-74	Last Year 30-6-73
Paid-up capital	2848	2848	230	230	160	160	43	43
Reserves	1438	1845	336	297	393	293	65	53
Borrowings	3221	3746	525	461	159	173	67	50
of which Term Borrowings	2142	2345	103	95	36	39	—	—
Gross fixed assets	11245	10759	793	702	802	724	147	147
Net fixed assets	5304	5279	453	429	287	265	50	55
Investments	506	503	6	—	17	17	2	2
Current liabilities	4186	3425	388	306	296	228	72	36
Current assets	5885	6081	1020	865	704	573	196	125
Stocks	3586	3752	716	626	432	333	143	85
Book debts	2179	2228	263	236	268	236	50	38
Net sales	8952	8336	1355	973	938	771	303	237
Other income	204	177	59	41	33	22	—	2
Raw material costs	1802	2413	576	419	113	70	202	120
Wages	1807	1506	149	115	215	195	27	19
Interest	302	332	105	74	22	19	5	5
Gross profit (+)/loss(—)	243	350	193	142	173	151	39	24
Depreciation provision	424	417	68	50	59	54	6	7
Tax provision	—	—	40	—	58	47	20	9
Net profit (+)/loss(—)	—181	—67	85	92	56	50	13	8
Development rebate provision	79	54	45	70	11	12	—	1
Transfer to reserves	—256	—118	14	—	30	21	9	2
Dividend								
Amount	P —	—	P 7	28*	P 3	3	E 4	5
	E —	228	E 19	19	E 12	14		
Rate (per cent)	P —	—	P 9.3	9.3	P9.3 & 8	9.3 & 8	E 9.50	12.50
	E —	8	E 12	12	E 10	12		
Cover (times)	—	—	1.73	—	3.50	2.50	3.25	1.40
Ratios (per cent)								
Gross profit/sales	2.71	4.19	14.24	14.59	18.44	19.58	12.87	10.13
Net profit/capital employed	—	—	7.79	9.32	7.86	8.00	7.43	5.49
Inventories/sales	40.06	45.01	52.84	64.33	46.01	43.19	47.19	25.87
Wages/sales	20.13	18.06	11.00	11.82	22.92	25.29	8.91	8.02

* For 1969-70 to 1972-73

ACC-Vickers-Babcock at the instance of the government to enable AVB to double its present manufacturing capacity to 1,000 MW per annum. Total consideration payable by AVB to ACC would be about Rs 547 lakhs — Rs 286 lakhs in equity shares of AVB at par and Rs 261 lakhs in first mortgage debentures bearing interest at a rate "commensurate with the market rate and as may be fixed by the Controller of Capital Issues". AVB will additionally take over the net current assets of the Shahabad heavy engineering unit as at the close of business on July 31, 1974, at book value. ACC will thus be acquiring a larger interest in a line of manufacture which now promises to be very profitable compared to the rate allowed by the tariff commission on the cement industry in its present inquiry. Shareholding of ACC in AVB will increase from 49.8 per cent to 65.1 per cent and the latter will become a subsidiary of the former. ACC is also increasing its shareholding in Asbestos Cement by purchasing additional 4,400 equity shares of Rs 100 each at Rs 150 per share from Turner and Newall of UK, which has to bring down its shareholding in ACL to below 74 per cent in view of the Foreign Exchange Regulation Act. This will increase ACC's holding in ACL from 24.23 per cent to 26.01 per cent.

BHARAT FORGE, while implementing the expansion of its forging and crankshaft finishing facilities from 12,000 tonnes to 24,000 tonnes and 16,800 to 25,000 per annum, respectively, has also undertaken a diversification programme to improve its ability to meet the recessionary situation. The company thinks that, as a consequence of the worldwide oil crisis, it may become necessary to switch the operation of its hammers from steam to compressed air. Borrowings to the tune of Rs 150 lakhs have been arranged with a financial institution and a bank to complete the expansion scheme in respect of the crankshaft finishing facility. The company may have to seek more funds to complete the other programmes. Also, in order to meet a portion of the working capital requirements, the company will be accepting further fixed deposits from the public and loans from shareholders. The borrowing powers of the directors are being increased from Rs 11 crores to Rs 25 crores. The company has produced good results for 1973-74 with higher sales and gross profit, although margins were a little shaded. Inventories in relation to sales were brought down considerably compared to the previous year. Notes appended to the accounts show, among contingent liabilities, municipal octroi (Rs 67 lakhs), managing agency remuneration on account of octroi duty matter (Rs 50,853) and Maharashtra State sales-tax (Rs 9 lakhs) — all of which items are in dispute. The auditors were paid Rs 5,908 for expenses and Rs 6,625 for certification work, besides audit fees of Rs 10,000.

MYSORE KIRLOSKAR's proposal to pay one per cent commission on net profits to non-working directors was not sanctioned by the government some four years ago. The directors now propose to approach the government once again, since they say that conditions have considerably changed because the company's activities have widened and non-working directors are being called upon to "bestow more and more of their valuable time and attention on the affairs of the company". Commenting on the current year's prospects, the directors say that the flow of incoming orders is slowing down and that perhaps the industry may face a recession. During 1973-74, the company showed higher sales and profits. Margins at the gross level, however, were lower compared to the previous year. Wages in relation to sales were considerably lower, but the ratio of inventories to sales was higher compared to the previous year. Exports rose from Rs 24 lakhs to Rs 55 lakhs. Alfred Herbert of the UK has been appointed as sole distributor for UK and Eire for 3 years. Precision Tooling Systems, the subsidiary, proposes to expand its activities and issue additional capital. MK will be required to subscribe to the 'rights' shares when offered.

PHOSPHATE complains that it was not allotted a sufficient quantity of nitrogenous ingredients by the government of West Bengal, with the result that its production of granulated fertilisers went down further last year from 13,490 tonnes to 8,290 tonnes which was around 17 per cent of the installed capacity. The shortage of nitrogenous ingredients apart, production was also affected by go-slow and indiscipline by workmen during the first half of the year and interruption in power supply. Production of superphosphate and alums increased marginally, but that of sulphuric acid went down owing to irregular and inadequate allotment of sulphur by MMTC. The company increased selling prices of its products from time to time because of sharp rise in the cost of raw materials and other nitrogenous ingredients. Thus it was not only able to increase net sales, but also profit-margins. Inventories in relation to sales increased considerably. The directors say that the requirement of working funds has much increased and plead that the fertiliser industry should be given more liberal credit facilities. The company has secured an order for supply and installation of a complete sodium dichromate plant on a turn-key basis.

HINDUSTAN ORGANIC CHEMICALS, a government of India enterprise engaged in the manufacture of intermediates required by the drug and dyestuff industries and certain other organic and inorganic chemicals, has proposed an expansion and diversification plan estimated to involve a capital cost of Rs 35.12 crores including Rs 6.42 crores in foreign exchange. The working capital requirement is placed at Rs 16.44 crores. The plan, intended to be executed during 1975-76 to 1980-81, envisages annual turnover at Rs 39.74 crores and saving in foreign exchange to the tune of Rs 16.50 crores. The plan is expected to provide employment to about 500 people and annual accruals to government by way of income-tax, excise duty and sales-tax are estimated at Rs 8.91 crores. The plan aims at self-sufficiency in critical raw materials like nitric acid, caustic soda, acetic acid, acetic anhydride, etc, for uninterrupted operation of the existing plants and meeting vital requirements of organic chemical industries such as drugs, dyes, rubber chemicals, pesticides and agro-chemicals, fine chemicals, resins, etc, as also diversification of products having high demand and greater profitability to improve the company's overall profitability. The HOC's project, established at Rasayani in a 'backward' area of Maharashtra, was completed in October last at a capital cost of Rs 20.01 crores. The company is already producing on commercial scale acetanilide, meta-amino-phenol, sulphuric acid, oleum, formaldehyde BHC, hydrogen, aniline nitrobenzene, and O-nitrotoluene, P-nitrotoluene and M-nitrotoluene. Trial runs are in progress at plants for making dinitrobenzene, monochlorobenzene, O-dichlorobenzene, O-nitrochlorobenzene, P-nitrochlorobenzene, and dinitrolchlorobenzene (pure and crude) and commercial production will commence on completion of guarantee tests. The annual turnover at fully capacity is placed at Rs 29.89 crores.

Brahmanical Ways of the Third World

G P D

JOHN SCALI, the US delegate to the United Nations, was rather angry with almost everyone present when he spoke to the General Assembly a week or so ago. He did not like the way the august body of one hundred and thirtyeight members was behaving. He was annoyed at almost everything the members were doing there. American officials are not given to liberal cliches, otherwise he would have said that he was speaking more in sorrow than anger. In any case, he was perceptibly perturbed that the United Nations was very much on its way to a state of total irrelevance, eventually to meet the same fate as its no less august predecessor, the League of Nations.

The analogy of the League of Nations is not out of place. The League collapsed, among other reasons, Scali would reckon, because of the failure of the US to join it. He held out a similar threat now. The American people, he said, did not like what was going on at the UN. Their faith in the UN was being eroded. As the US paid for nearly 25 per cent of the budget of the UN, the members had better sit up and think. They can have either their resolutions or the US dollars. Scali forgot to add, presumably in his anger, that he hoped that the bright, well-mannered third world gentry present would see sense and make the proper choice. Established governments the world over should realise that unless they made the right choice the UN would become a subject of history.

John Scali had reason enough to be angry. The UN was misbehaving in a way it had never done before. Come November and you have Arafat, a terrorist, a PLO man, descending upon New York like a head of state. The General Assembly listens to his 'terroristic' verbiage in respectful silence. When did bandits become heads of state? When did the term 'liberation' become respectable in the United Nations? Well, such heresies have no place in the hermeneutics of world peace!

As if this were not enough, the General Assembly treated South Africa in the most unbecoming manner. John Scali of course, had no difficulty in condemning apartheid, But condemning apartheid and asking South Africa to stay out of the Assembly are quite different things. Scali's argument was simple. You cannot level the honest, godfearing South Africans out in the cold. The Chinese could be kept out for a quarter of a century. But how can you equate the yellow Chinese with the white South Africans? To try to do so was to indulge in sterile political gimmicks. John Scali has his white South African's burden to carry.

To top all these blasphemous acts the UNESCO, in its own fit of mindlessness, has declared that no part of its funds would be made available to Israel. It has also made it clear that Israel cannot be a member of the agency's regional groupings. That the 'holy land' should thus be made unholy was a bit too much for a pious man like John Scali.

Religious Fervour

Scali's attack on the United Nations had a religious fervour. Like a priest in communion with god, he spelt out the rewards for the unknowing, undivine masses. They cannot, the priest has warned, exercise "the tyranny of majority" over the religious minority. It is the silent majority the priests have always sought to cultivate. Go to any temple: it is the business of the priests to chant the mantras or deliver the sermons; it is the job of the 'silent majority' to listen, to pray and to meditate.

The majority unfortunately does not seem to behave. It is the pagans who are sermonising for the benefit of the bishop of world peace. In this situation John Scali had no choice but to warn against "the tyranny of majority". It was not merely a warning, though. The priests have nothing but contempt for the pagans. So the American priest has stated categorically that the divine minority cannot "respect or obey" the pagan majority. It is the pagans who need salvation. It is the duty of the priests to deliver it. To think otherwise is a travesty of religion.

But then, religion has never been particularly apolitical. One might even say that you cannot understand any religion fully unless you comprehend its politics. John Scali, the practical realist that he is, did not mince words in stating the politics clearly. He put the matter straight. He had to. Many among the bright and sociable members of the international gentry who gather together in New York every year sometimes swear by liberal democracy. They might even want it to be practised internationally and might actually expect the majority voice to prevail in forums like the United Nations. John Scali's impatience with these international liberals is understandable. He promptly reminded them that "the minority which is often offended may in fact be a practical majority".

Now, this term "practical majority" is an interesting one. The liberal democrats would do well to remember that back in their own countries it was the "practical majority" which counted. John Scali was only demanding that the rules of the game should not be very different in the General Assembly. The Indian or the Arabs or the Africans at the UN could get to New York only because they never "offended" the "practical majority" in their respective countries. What kind of politics was it then for these people to assume that the "practical majority" could be offended internationally?

Scali's indignation would not go in vain. Angry denunciations of what John Scali said on the floor of the General Assembly were voiced and these would probably continue for some time. However, John Scali has hit the third world where it hurts most, The English, French, Spanish and Arabic speaking diplomats who crowd the lobbies of the UN cannot do without the US-financed United Nations. Their clever diplomatic games are possible only because of the tax-free dollars they earn every month. Except for the Arabs who have their oil money, nobody in the developing third world can pretend any serious defiance of the American will. John Scali in his rhetoric was probably making a very simple point. None of the brave governments of the third world can do without American backing an assistance. None of the diplomats can afford to miss the luxuries of American life, tax-free. In the circumstances, the "practical majority" in every small or big developing country should strike a natural alignment with the

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"practical majority" of the world. They have already done so in deed. John Scali's innocent question is: if this is possible in deed is it difficult in word?

How we come back to the religion of politics! What the naive Scali does not understand is the love-hate relationship between the third world countries and the US. They love the US, admire it, at times adore it. In words, however, they have to appear to be hating it. As far as the leadership in the third world countries is concerned, it has to appear 'radical' to the vast majority. It is this zeal which Scali does not apparently understand. That is the reason why he is so angry. He does not understand that for most of the third world, anti-Americanism is a ritual; a meaningless religious act, as remote from reality as the Sunday sermon. For most of the third world, radicalism is not a philosophy of action; it is only a part of the ritual of their religion of politics! It is amazing that a seasoned diplomat like John Scali should not understand the Brahmanical ways of the third world.

A Bangkok Diary

A M

THE shop girl at the departmental stores may be Ratri Sulabhabhoga, the counter clerk at the bank is Prasiddh Kittisidho, the police-general, believe it or not, was baptised as Chirasanto Komalanavin. There is a certain lilt in Pali, sweet, soft; even after transmulation into Thai and the passage of two thousand and five hundred years, the lilt remains. But you will come a cropper if you allow yourself to be beguiled by the nostalgia which beautiful-sounding names can evoke. There is a crust of iron somewhere underneath. As they tell you, proudly but without flourish. *Thai* means free: they have survived as a free nation through the ravages of all these centuries. It called for much more than sang-froid to survive the successive probes of the Hindus, the Chinese, and, in the more recent period, the assorted Europeans. The Thais have come through.

Or, to amend oneself, the Thai upper classes have come through. They are at the moment once more engaged in the exercise of survival. Twenty years of flourishing American summer are coming to an end. John Foster Dulles set up his theory of dominoes; the money plant came to bloom; Thai aristocracy reaped a rich harvest. Devout Buddhists are highly pragmatic animals: for proof, you simply delve into any of the *Suttas*. How does it matter if the Americans run amok next door, burn and maim your neighbours, destory their food, rape their young daughters? As long as your hearth and home is not affected, turn a Nelson-eye and collect the loot. The Thai plutocracy collected the loot during all these years. Bangkok, which, twentyfive years ago, was a sleepy backwater of a tourist beat, was transformed to suit the American taste. The rest of the country did not matter, either to the Americans or to the plutocracy. The face of poverty hardly changed over there. But, never mind, the Americans were fighting a moronic war in Vietnam and all was right with the world. Thailand's balance of payments improved by leaps and bounds; the country's national income soared; naturally, the inequality in income distribution became more and more acute with each year.

UNSTABLE ARCADIA

Unfortunately, it proved to be an unstable Arcadia. The bonanza of the Vietnam war came to an end nearly eighteen months ago; the Americans are now going home. Something else, something much worse, also took place. When you import the American way of life, wholesale, you cannot quite shut off the entry of that whiff of radical air among the students. Last year, disaster struck. A group of hot-headed youth revolted in Bangkok's streets against the corrupt military junta which was managing the country on behalf of the plutocracy. Trigger-happy troops and policemen ruined the junta; as the guns roared and the tanks rolled, nearly eighty students lost their lives, and things went beyond control. The leaders of the junta flew away to Taiwan and the United States. At this stage, entered the King, belonging to the Chula dynasty which had reigned in glorious, autocratic splendour till 1932 but whose powers were cut back to mere rituals by the coup launched by the army junta that year. The King proved the uses of royalty last year. He negotiated with the students, promised them a new constitution and a democratic structure, and the exhausted youth went home. The junta was gone, but, long live the King, the plutocracy was saved. A cat has nine lives, the Thai oligarchy obviously many more. The junta is gone, but the rest of the institutions have been saved, the class composition of the government remains what it was. A new constitution, full of liberal froth, is now ready, and the first general elections under universal adult suffrage are about to take place: for 299 seats for which contests are to take place, 2,190 candidates are in the field. Thailand's ruling class is not at all worried: the students, after all, control only a minuscule proportion of the electorate; the bulk of the voters are poor, wretched, illiterate: they can be persuaded, cajoled, bought, bullied. The ballot box never lies: in the remote areas, gunmen can be hired to ensure that the ballot box learns to speak the right kind of truth.

Nonetheless, there is that uneasy, uncertain feeling. The Americans are going home, the Americans have begun to make ingratiating noises in the direction of that erstwhile ogre, the People's Republic of China, the Americans are returning to their shell, they are in a state of shell-shock following the discovery that the man whom they elected their President by the largest recorded plurality in history was a common crook. The Americans are going home, the Japanese too seem to be in an equal jam, their economy is stagnating for the first time in a generation, their rate of inflation is running at a rate exceeding 25 per cent per annum. The old co-ordinates are falling apart, and Thailand's balance of payments is no longer looking as comfortable. Besides, you never know with students. Having tasted blood, they might decide to come back soon for more.

They never lose their cool, Thailand's ruling class. Be pragmatic, say the Buddhist *suttas*. Cultivate what needs to be cultivated; let serendipity be your pole star. Bend with the wind. The Thai plutocracy is bending. You may blink your eyes in wonder, but there it is. These days Bangkok's newspapers are serialising the autobiography of Pridi Banomyong, that great populist, who, after his unsuccessful attempt to overthrow the military dictatorship in February 1949, had led an exile's existence until his death in Peking two years ago, and the mention of whose name was, till yesterday, taboo. Not so any more. Pridi is restored in Thai mythology; it seems this nation had no greater hero. You

are being made to recollect that Pridi was one of the major heroes of the 1932 coup which ended the system of absolute monarchy. It is Pridi's tradition which this nation has sought to observe. Way back in 1933, Pridi had proposed that the State should appropriate all land in exchange for bonds, and all farmers be made civil servants also to be paid in bonds; everyone else was to be on a salary from the age of one to fiftyfive and thereafter on a pension; the salary scale was to be divided into 22 steps according to qualifications, ranging from 80 to 1,000 baht (Rs 35 to Rs 400 at today's rate of exchange) a month; the production and sale of rice were to be made a State monopoly; and so on. What was more natural for a nation, which, as many as forty years ago, dared to think such radical thoughts than that it should normalise its relations with its two great neighbours, the People's Republic of China and the People's Republic of Vietnam? The Thai politicians cannot be restrained; they are in great hurry. The other countries in the area, such as the Philippines, Malaysia and Singapore, have gone ahead in the race, they have established enormously beneficial trade relations with China; Thailand is still lagging behind. What the country loses on the American and Japanese swings must be recovered on the China roundabouts; therefore, meeting in emergency session, the interim National Assembly unanimously passes a bill repealing Revolutionary Decree 53 issued sixteen years ago by the army junta banning trade with China. A state trading corporation is being hurriedly assembled to deal with all matters concerning trade with China and other communist countries: a ten-man delegation is being sent out post-haste to Peking and Pyongyang to finalise trade plans for the next few years with these two fraternal nations.

Sang-froid; when hit on one cheek, to turn the other one. The relations with North Vietnam, which is another great neighbour, must be repaired without fail. Any number of feelers are going out from Bangkok to Hanoi; it could be the case of the love-lorn drawn shortly as scheduled, Hanoi is angry and to the point: 'The main obstacle to the normalisation of relations between the Democratic Republic of Vietnam and Thailand is the latter's pursuance of a policy aimed at furthering US imperialist designs of aggression and intervention in Indo-China'; all American forces must first be ordered out of Thailand before North Vietnam would consider resuming relations with Bangkok. The Thai foreign minister is not however put out: practise impassiveness, say the Buddhist *suttas*. A total of 10,000 American troops, together with a number of US warplanes, will be withdrawn shortly as scheduled, Hanoi is sought to be assured; so let there be amity and understanding: 'We hope to begin our first contact with goodwill and sort out any conflicts later on. Goodwill at the start will mean quick progress can be made'.

Peace, amity, neighbourliness, goodwill, the plutocrats in Bangkok, in their search for survival, will leave not one cliche unused. They are prepared even to go through the rigmarole of a kind of land reforms. The distribution of land holdings here will put to shame pre-World War I Hungary, but this is being looked into, the Government has submitted a major land reform bill to the National Assembly which is supposed "to limit the areas of land allowed for different categories of occupations in order to prevent capitalists from buying up a large acreage without making use of it". Under the bill, a maximum land ownership of 50 *rai* (2.5 *rai* = 1 acre) is to be allowed for agricultural purposes; 10 *rai* for industries; 5 *rai* for commercial purposes, and one *rai* for residential; those who own more land than the prescribed limits will have to sell their 'surplus' land within seven years.

But, then, ruling classes everywhere have long assimilated the tricks of the trade. The tradition of Pridi notwithstanding, the land reform bill is a vast sieve. It is marked by several exemption clauses: where the 50 *rai* limit, for example, is considered 'not adequate for productive yields', agriculturists will be allowed to have upto 100 *rai*. Those who possess land only a little in excess of the prescribed limits will be allowed to retain the excess if it can be proved that selling it would hamper 'productive activity'. Any industry which feels it needs more than the ceiling of 10 *rai* can submit a petition specifying the reasons for claiming a larger area, and the Government will consider whether any concessions are due. Moreover, since, under the bill, one *rai* is allowed for a tomb site, a truly ancient family can claim a thousand *rai* for ensuring the resting in peace of a thousand ancestors: land, after all, belongs as much to the dead as to the living.

Thus even the Buddhist *suttas* might prove to be too clever by half. For meanwhile, study a map of Thailand, observe the chicken's neck down south joining the Prachuap Khiri Khan province with the district of Kui Buri, washed on the eastern side by the Gulf of Thailand and fringed on the western side by the mountainous forests on the Burmese border. The plutocrats in Bangkok would want to hide the fact from you, but, for at least the past eight years, this has been turbulent territory, and communist partisans have continuously kept engaged the army and para-military forces in guerilla warfare. The glitter of Bangkok was, and remains, a fraud: you travel fifty miles out of the city, north or south, it is once more the stark face of Asiatic poverty, a poverty which reflects underdevelopment, but, much more, insensate exploitation by a few of the many. The Buddhist *suttas* were supposed not to apply to the *dasas*, the inferior beings, who have continued to be outside the pale of eternal benediction. The *suttas* may thus in the final round not add up to much when confronted by the dialectics of class antagonisms. The land reform bill may escape through its own sieves, and a district like Kui Buri may become unsalvageable because of the greed of the affluent ones. M-16 assault rifles and such like may temporarily keep away the partisans, but unless the deprived, under-privileged local population can be offered tangible resources, their loyalty will stay with the partisans. In Kui Buri district, the insurgents were driven away from an area, and a modestly ambitious programme was announced for the construction of a fresh water reservoir to help the local people and for an irrigation network for developing agriculture. However, there is this law of economics: where there is promise of development, the price of land inevitably rises and those who have the means and the power to acquire the land quickly stand to make a large profit. In Kui Buri too, a person with strong political influence immediately moved into the development area with men and tractors, and claimed for himself a huge tract of 10,000 *rai* of land. The small farmers, who were occupying this land, are now being pressurised to leave — or pay through the nose for the right to occupy the land. Soon, they will reach their own conclusion: in this system, your coin will always come up tails, so why not stick with the partisans and see it through till the bitter end?

Certain things, apparently, are beyond sang-froid. In Bangkok, the message is yet to sink. And why in Bangkok alone?

Hanoi Diary—I

K N Raj

WHILE in Bangkok earlier this year I came to know that it was not difficult to go from there to Hanoi if one could somehow get a visa. It was only a night's journey by train to Nongkhai, a border town in the north-east of Thailand. Crossing the Mekong River by ferry was no problem, and on the other side was Vientianne in Laos from where there was a bi-weekly Aeroflot service to Hanoi.

So I wrote to Sisir Gupta, an old friend and colleague in the Delhi University, now the Indian Ambassador in Hanoi. His reply was encouraging. Though no tourists were being welcomed yet I could go as his personal guest and it might not be difficult to secure a visa. There was in fact no problem at all.

Sisir Gupta was not sure how much I would be able to see. After all I would not be a State guest. But he thought it would be possible to arrange a few visits in and around Hanoi. That was enough as far as I was concerned, for I had no intention of making an intensive study of North Vietnam. All I wanted was to see what this legendary country and its people looked like, how they survived it all. Even some visual impressions would do.

And so I went with very little expectations of what and how much I could see. They were more than fulfilled. If I stayed on longer I could have seen much more, and was later sorry I had not budgeted for more than a week. But even that one week was a very rich experience, richer than any I could recall. And I am deeply grateful to everyone who made it possible.

How much can one see and learn in a week? Obviously not a great deal. But when one's ignorance is profound even a few glimpses help and this is all one can claim. The curiousity about North Vietnam is intense and when one has had the good fortune of seeing even a little of it one feels one ought to share one's impressions, however general, with others. This is the only reason why I have written them out.

I kept a diary while I was in North Vietnam, recording each day whatever I saw and heard and my instant reactions. Some of them could well be superficial and naive, possibly even downright wrong. But to put down my impressions then and there, I thought, was the most honest thing I could do, and correct them later in the course of the stay if I had reason to. So it was a travelogue, and nothing more than that.

After I returned to India it was difficult not to reflect over all the things I had seen and heard. I tried to recall whatever I had read of North Vietnam earlier, and also read more (particularly the several books and brochures I had brought back). What was the significance of it all for us in India? About some things I had little doubt, but about several matters I was unsure because clearly I did not know enough. Still, despite the hazards of such an exercise, I decided to write down the gist of these ruminations as well.

What is being offered here — with some hesitation — falls therefore into two parts, first the diary and then the later reflections. I hope they will be read and interpreted in the spirit in which they have been written.

November 6

It was clouds all the way from Vientianne to Hanoi, and there was nothing to do but look at others in the plane. It was an unusual mix. More than half were obviously Russians, there was a whole group from Poland, one or two appeared to be Cubans, Some possibly were Yugoslavs, and may be some French. The Ilyushin itself was the usual Soviet austerity type (austere of course by only Western standards), vibrating a little, just one toilet, and no refreshments other than a glass of tomato juice. But the air hostesses were pretty, unlike the hefty ones Aeroflot sometimes circulates around the world.

Hardly an hour had passed before the plane began its descent. In a few minutes we were below the cloud ceiling and one could get a view of the land below. It was somehow different from what I had expected, no tropical at all, more yellowish than lush green, hardly any groves of coconut trees, a far cry it seemed from Vientianne though we were only 400 miles north of it. The fields were large, mostly rectangular, very different from the mosaic of tiny, fragmented plots one sees in Asia. It could have been somewhere in France.

As we came further down, little thatched huts could be seen and small houses made of timber. Out in the distance was Hanoi, stretching over a wide area, with some buildings standing out, but apparently not a very large city. Then we were over the Red River looking like the Cauvery or Krishna in flood, with little boats moored along its banks. Suddenly with a heavy thud the plane touched the runway. As it turned around and moved towards the airport terminal I felt I could be just about anywhere in India. For, at a distance on a patch of grass within the airport, a buffalo was being led along by someone quite unconcerned! Obviously planes do not come or go too often to make this kind of coexistence a danger to either.

But could this really be Hanoi, I wondered? Not a military plane or helicopter around. One sees swarms of them in Bangkok and on a smaller scale even in some of our airports in India. If the North Vietnamese have an air force they certainly know how not to display it.

The first confrontation with official authority was slightly chilling. Someone from the security force, in a green uniform, boarded the plane and said we were all to remain seated till the passports and health certificates had been checked. When this kind of screening was in force in India some years ago it usually meant a tiresome wait, so it might be I feared. I was wrong it was all over in less than five minutes.

Soon we were out of the plane. There was no one to herd us into a group or lead us to the airport building. We were told just to walk on. A few hundred yards away there was a small crowd of no more than 40 or 50 standing around to meet someone or other coming in the plane. There was one group standing with a bouquet (it was for the Poles who, I learnt later, were part of an official delegation). I spotted Sisir Gupta as I came nearer and he guided me to the airport lounge. It was a modest-sized building, no bigger than the ones in our smaller airports like Trivandrum or Madurai.

An officer from the Indian Embassy and the Vietnamese chauffeur had meanwhile taken charge of all the formalities to be gone through. Actually there was not much to be done except fill a form declaring how much currency one had, how many films, etc. The only problem I had was that I was not permitted to take in any colour films (of which I had bought three at Bangkok). The remaining five black-and-white films I could keep and use, said the customs officer.

But what struck one most was that the atmosphere in the lounge was informality itself, even while the cus-

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CHAITRA-CAFL

toms men were at the job in an adjoining enclosure. Several Vietnamese dressed in simple cotton clothes, wearing plain cross-barred sandals, were sitting all around, chatting and laughing. Some were having beer which, I was told, was the only drink available there. There were no uniforms in sight (except of the customs men), not even a stern face. An airport crowd in a small provincial town could not be more informal and relaxed. This was obviously a very different socialist country from any I had been to so far.

In less than half-an-hour all the formalities were over, and we were on our way in the Embassy car to Hanoi city. I soon discovered one reason why the countryside reminded me of France. The rice fields were more yellowish than green, apparently ready for harvesting. Hanoi gets cold from November on, rather like Delhi, and this is the autumn crop. Like wheat or maize it looks almost golden coloured from a distance.

All along the road there were nothing but bicycles, each carrying a cheerful face topped up with a cone-shaped straw hat (only women however seemed to wear it) or a khaki-coloured 'topee' (a "sun-hat" as it used to be called in India in the old days). Occasionally a truck or two would pass by.

We reached the famous Red River bridge. It had to be crossed very slowly because the rail track was in the middle, the road on either side was narrow, and again there was a stream of bicycles. Walking alongside on a slightly raised platform were girls, old men, women, all carrying something or other; quite a few, I noticed, were bare-footed. The bridge was a good two kilometres long, if not longer.

We passed by areas that had been bombed by the Americans, a railway station, a loco-shed (of which all that remained was the skeleton of an old locomotive), and many buildings. The bridge over the Red River had been bombed too, and was still in the process of being reconstructed. At a distance one could see the pontoon with which they had managed when the bridge had been hit directly in the bombing.

As we entered the city I was more than a little surprised. It didn't in fact look like a city at all. The roads, the shops, the houses, in fact everything I could see on both side, reminded one of a small town in India, though kept conspicuously cleaner. There were plenty of small huts and shacks close together by the side of a pond. There were also carts being dragged along by bullocks, and two women pulling a cart loaded with sacks. Judged by the norms of 'modernisation' we are accustomed to, Hanoi seemed pretty backward.

But there is another side of the city, less crowded, with wider roads and better buildings, looking rather like the not-so-exclusive areas of New Delhi some twenty years ago. That is where the Indian Embassy is. But apart from the roads and the buildings there was not much difference from the other side of the town: the same procession of cycles, and carts drawn manually and by animals.

Sisir's house, the Ambassador's official residence, is in harmony with the setting. It is furnished unobtrusively with taste. The building looks rather like some of the double-storeyed houses one sees around Madras, the old-fashioned type with shuttered windows, but with a slight French touch.

Opposite is a school, and one sees nothing but children all the time apart from the stream of cyclists going along the road. Sisir tells me that there are three shifts in the school, and that therefore it goes on from early morning till nine or so at night. The sight of children clasping books and rushing into or out of schools is of course a very familiar one in Kerala. But the children here, I have the impression, are somewhat better dressed than our poorer children, though the difference might not be very much.

More striking is the visual impact of the citizenry pedalling their way along on cycles. There appears to be nothing like uniforms (except for children going to school) but the dresses worn by all seem very similar. Most men wear just a plain shirt and a trouser (and usually also a 'topee'), women a white jacket worn over a rather loose black pyjama (along with the inevitable cone-shaped straw hat). There are hardly any cars on the roads, so the cyclists seem to be in full possession of the whole wide avenue. Everyone is moving along at a fairly steady pace, the older ones more slowly with an effort, the younger ones much faster and sometimes carrying another at the rear, and frequently parents with little youngsters comfortably seated in a contraption made of cane fixed on the cycle bar (an excellent adaptation of the more expensive kind which Americans use in their cars for keeping strapped little toddlers). The whole scene appears very dignified and it makes a deep impression on one's mind as one goes on watching it.

How poor or rich can they be? Obviously the differences between them are not very much. Watching the crowd going along the road I thought they looked generally as well-off as (or a little better-off than), say, a clerk in our government offices (the ones we call LDCs). Sisir tells me that the monthly wage or salary varies between 50 and 150 dongs and, since very few families have less than two earners, the income of a family would be usually at least 100 dongs. (The official exchange rate for the dong is three per US dollar. The rent charged for accommodation, whatever it is, is only 1 dong per month, and a month's ration of rice does not cost more than about 5 dongs per person. But pork, a favourite food item, is more rare to come by (the ration is only 1 kilogram per month), and its price in the open market is high like of most other things just above the category of bare essentials. So 50 dongs could perhaps provide the absolute minimum requirements but not much more; to live in reasonable comfort probably requires 100 dongs, which could be one reason why there are generally two earners in a family.

Strolling out later in the evening it was almost impossible to cross the street on account of the avalanche of cycles carrying everyone home. Along some roads leading to the centre of the city there were a few tram-cars, and also some buses (mostly, it appeared, originating from Skoda in Czechoslovakia). But within an hour or so the streets had emptied themselves and one could walk in the middle of the road without fear of being run over. We went around a beautiful lake in the centre of the city, along a side-walk with tall, stately trees. A whole contingent of small traders seemed to have taken possession of parts of the lake-side, selling all kinds of things including (to my surprise) tapioca. At a distance loudspeakers were blaring away something, radio broadcasts perhaps, but they seemed a mere whisper compared to the din that greets one's ears from restaurants on Indian streets.

We walked into the largest department store in town. There were several things on display: textiles, pharmaceuticals, household wares, cycle parts, stationery, and various articles made of lacquer. But there were not very many customers around, and a good number seemed to be just taking a stroll. Nor could all the products on display be freely bought, I was told, for one had

to have also coupons (as for textiles which seemed to attract the largest number of window-shoppers). Though the range of the products was wide, the variety in each was very limited, so limited that one could perhaps have found more in even a small shop in India. Prices were not low: a very small hurricane lantern, for instance, cost about 5 dongs.

Looking at the shoppers, the strollers and the pavement salesmen I wondered whether my earlier assessment of minimum consumption levels was right. The clothes some of them wore appeared rather coarse and showed signs of wear. But what else could one expect when the annual cloth ration was only 5 metres or so? Maybe the ones I saw earlier in the day near the Embassy were white-collar workers. Most of those on the street now looked like manual workers. They seemed well fed, but for those engaged in manual work it must be difficult to look elegant as well.

The pavement salesmen were no different from their counterparts in any Indian city or town. They looked poor. There were bigger private shops, I was told, in the bazaar area a little further away. The most prosperous of those engaged in such private enterprise were barbers. Vietnamese women, who had beautiful, long, silky hair were fond of getting their hair dressed frequently, and so apparently were men, obviously not infected by the latest crazes in the West. They were willing to pay 1/2-1 dong for a hair-do or hair-cut, and a barber could make even 6 or 7 dongs a day. Those with shops had to pay a tax, and so their net income might be lower, but I could see that for some of the barbers the pavements were good enough.

Many of the people we saw as we walked around the lake did not look like urban workers, more like peasants. But one could not be sure. Apart from the office- or factory-going crowd who pedalled past us earlier in the evening, there was probably not much difference anyway between urban and rural workers.

After our return from the walk a French journalist dropped in with his wife. He talked about many things, including his impressions from a visit to the Pathet Lao area in Laos from where he had just returned. He was obviously an old hand. The conversation drifted to what would happen at the Soviet Embassy reception tomorrow, the 57th anniversary of the Russian Revolution. The North Vietnamese, I gathered, had spent 1 3/4 hours at the reception of the German Democratic Republic, but only 1 1/4 hours at the Chinese reception on the 25th anniversary of their Revolution, and this had created a minor sensation. How long would they stay at the Soviet reception? Obviously a fascinating subject for speculation for foreigners who had no other way of guessing what was going on among the socialist countries! But did the Chinese and the Russians take such things so seriously, I asked? There was no doubt about that. "It is wonderful to have the luxury of being so independent", added the journalist.

Later Sisir told me that this journalist, who had one arm totally paralysed and had a slight limp, was one of those injured at Dien Bien Phu. He and his wife were returning to France in a couple of days. When Sisir's wife asked whether they would be coming back, the journalist's wife said: "certainly in our next incarnation"! Obviously they were not in love with North Vietnam. Sisir told me later that they were more enthusiastic about China. It appeared to me so like the British who too have this kind of love-hate relationship with their old colonies.

November 7

Hanoi wakes up early and, by six in the morning, the roads are full of children going to school and others pedalling along to their places of work. I had gone to bed after midnight and had intended to sleep till 7. But that was out of the question. There was a fantastic din outside and, when I peeped out, there they were, more than a hundred children all over. They had obviously arrived too early, for the school gate was not open yet. They were having a whale of a time singing, screaming and shouting. Since there was no prospect of getting any sleep I decided to step out for a walk.

My impression of the children yesterday was not wrong. They appeared much better nourished, almost as chubby as those from the middle and upper class homes in India, and full of life. They wore better, newer, gayer dresses than the adults, and had all smart little bags full of books. Some were playing with marbles, a couple of them were having a friendly wrestling match with others egging them on. Soon they were watching me with as much curiosity and interest as I was watching them. One of them pointing at me said somthing that sounded like "Andos" (which I gathered later is how Indians are called in Vietnamese), at which I got a big hail from a whole bunch of beaming faces.

Children of course are the same everywhere, and one is easily moved by this kind of scene. But I recalled Ho Chi Minh's recurring theme about children, "the little slaves" of yesterday who were to be "the masters" of the nation. Certainly whatever investment they could afford was being lavished on the future generation. One does not know what the children are being taught, or how much, for with three shifts running each batch has but four hours of schooling a day. But a lot of discipline is being put into them. one has only to watch them line up, two by two, waiting for a break in the traffic on the road before crossing it, and they do it without anyone asking them to, even the smallest of them.

I had a long morning walk for well over an hour, covering parts of the town we did not go to yesterday evening and later doing the same detour of the lake. Last evening it was getting dark and I could not see much. But it was different now and I could form more vivid impressions of the environment.

The road the Ambassador's residence is on, and all the roads in the vicinity, are very broad avenues with side-walks for pedestrians. They run in straight lines, making rectangles, some diagonals, reflecting evidently the tastes of the French designers. Most of the houses in this area have some land around them; their light yellow wash, and the shuttered windows painted in green, are so like the old houses in Nungumbakam and Kilpauk that one is transported back to the Madras of three or four decades ago. But not the Madras of today, for there is no trace of the horrid, multi-coloured cement concrete structures it is now full of, in fact no trace of any building that might have been built recently.

Suddenly a child would dart from a side-lane, or a small house by the roadside, with just a jacket on and nothing below the waist, and an elder sister or mother running after. In dress, in manner, in almost everything — including the open drains outside these little houses by the roadside — the scene in the same as one might see anywhere in India. The only difference, and a very striking one, is that there are hardly any cars around, no signs of affluence anywhere, and none appears very much better or worse off than the others.

It will probably appear like repeating the obvious, or saying something trite, when one reads this later, but the experience of walking along these roads early in the morning, with hundreds of cyclists going to work, children in uniform marching away to school, old women selling bowls of soup and *pan* along the pavement, and almost none standing idly by, is really overwhelming both visually and emotionally. I had already shed every bit of conspicuous clothing, and left behind even my wrist-watch, not to appear incongruous and out-of-place. But my grey sweater, I began to feel suddenly, was still much posher that any one could see being worn by those around me, and the more conscious I became of this the more uncomfortable I felt, till at last I saw a man on a cycle with a red sweater almost like mine! This amused me later, for one had at times a greater sense of guilt in India (and for good reasons), but there were more "red sweaters" around to rescue one. It does make one extremely sensitive, almost ashamed, to appear more affluent among these people, for they have truly abolished affluence of any kind.

Nor have I ever had such a strong impulse of wanting to be "one of them". It is partly perhaps a sense of kinship one feels instinctively, but there is, I think, more to it than that. They are a very attractive people, cheerful, open and very relaxed, and when one recalls all they have been through one finds it difficult to believe it. There is a sense of sharing one can feel in the air. It cannot be easy, for life is obviously very difficult, but they do not seem to mind. And they are smiling all the time. They command more than just one's respect.

I had already walked two miles or more and, as these thoughts went through my mind, it struck me suddenly that I had not so far seen a single policeman — not even at the crossroads where battalions of cycles still somehow managed to needle their way across. I was rambling all over the place watching everything and everyone with curiosity, but there were evidently no stern eyes watching my movements. The first policemen, two or three standing in a group, were near the big department store, but they were dressed in a buff-coloured uniform (which, I learnt later, were worn only by the traffic police). I look a full round of the lake once again, and over this entire distance I saw only one non-traffic policeman (in green uniform).

If traffic policemen do not regulate the traffic even at the crossroads, what then do they do? They appeared to be merely standing by and watching, just to make sure. Later in the day I discovered one of the things they do while standing by so inconspicuously. As the few cars and trucks that were there sped along, honking all the while to keep cyclists away, one could frequently hear fierce screeching of brakes then a sudden silence, and a little later the vehicles going their way. At first I thought each time it was an accident, or near-accident, and would rush out to see what had happened, but there was nothing one could see, no sign of excitement, no one else rushing to the scene. When I enquired later I was told that this was done only in response to whistles from traffic policemen out to test how good the brakes were. They had to be pretty good, to avoid accidents on roads so full of cyclists unregulated by anything other than self-discipline.

As I continued my walk around the lake I noticed that the pavement traders I had seen yesterday were almost all old women. It was in fact nothing more than petty trade, some vegetables and fruits, a few cigarettes and matchboxes, occasionally some candles. But there were younger women, in their (thirties or early forties) carrying basketfuls of vegetables (fresh celery, cauliflower, green chillies, tomatoes, etc) hung at both ends of a bamboo-pole and walking at a fast pace, almost afraid of slowing down in case they lost their momentum. They reminded me so much of the women who bring head-loads of tapioca and other vegetables into Trivandrum early in the morning, moving with great speed and grace but obviously under great strain as well. The bamboo-pole technique must of course reduce the strain a little, but the baskets seemed full enough to make up for it and the burden could not be very much less.

Going along the road were also hand-drawn carts, drawn by women when they contained only vegetables or fruits, but by men when there were bags of heavier material. There were buses and tram-cars but not as many as one would have expected, certainly far fewer buses than one would see even in a small town in some parts of India. The extent of mechanisation of transport, judged by all this, seems much less than even in Kerala. All one does not see is the depressing spectacle of rickshaw-pullers, a not frequent sight even now in places like Cochin. Instead there are bicycle rickshaws, with only the difference that the passengers are seated in front and not in the back, pedalled along by people who look almost as poor as some of our own in this profession (though again clearly better-nourished). There are no motor taxis anywhere in sight, none at any rate that I could identify as such.

By the time I returned from the walk I could hardly recognise the road from where I had started. The classes had begun and there was hardly a soul around. It had this deserted look till around 10.30 or so when again the whole crowd of children came tumbling onto the pavement and were all over.

Though it is already the second week of November, and it should have been colder, the days seemed actually very warm. The summer, I was told, was hotter, extremely humid, and very exhausting. But there is a nip in the air early in the morning and late in the evening. It is difficult now to visualise how cold it can be in winter. Obviously, if it gets as cold as I gather from everyone, having adequate warm clothes must be a problem; apparently they depend mainly on padded garments to keep warm.

I spent some time in the afternoon with the French journalist who had dropped in yesterday and invited me over to his hotel. It is one of the two hotels where all foreigners are lodged, and it is only outside them that one can see here a bevy of cars. With a number of governments rushing to recognise the DRV after the Paris agreement there has been a serious problem finding accommodation for all the new embassies, and many of them are therefore now located in these hotels. No wonder Hanoi cannot still afford to welcome tourists.

The hotel cannot by any means be described as posh. It is large and spacious, like the ones in India constructed before the Second World War. But by modern standards it would not perhaps qualify for rating as even a three-starred one. The office room of the French journalist was air-conditioned however, perhaps at his own expense. We talked generally about various things, and it confirmed my earlier impression that he was not very happy with North Vietnam. But he was terribly enthusiastic about India, the most fascinating country in the world, he said, not excluding China. He also made a very approving observation about the Indian nuclear explosion, a good thing, he said, because it broke the "monopoly" of the Big Powers. Whether it was meant as friendly small-

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talk to a visiting Indian, or a genuine French view, I do not know. But it was certainly a little startling to find admiration for India now in a place like Hanoi which, I would have thought, was enough to satisfy anyone's appetite, particularly those who had no love for Big Powers. Obviously tastes differ.

The great event of the day however was to be the reception at the Soviet Embassy later in the evening. I had also been invited. The embassies of the socialist countries are all in one cluster, some ten minutes' drive from where we are. As we got near the Soviet Embassy there was a whole row of cars in queue, and traffic policemen were all around. I had not imagined that there could be so many cars and policemen in Hanoi. But obviously it was a great occasion, and no diplomat was likely to miss it.

We arrived about ten minutes ahead of time, a little before 7. A whole array of Russians, some wearing uniforms and medals, was waiting to receive us. We walked into a gaily decorated hall in which there were at least two or three hundred guests standing around, lots of Russians and others as well, but not many Vietnamese. It took some time for me to spot a few Chinese though they were unmistakeable in their buttoned-up tunics. Sisir and his wife had to be with the other ambassadors standing in front facing the rest of us in the hall. So I got talking with others, some Yugoslavs, a few Cubans, a Hungarian, some Frenchmen, an Australian and a couple of Englishmen (who somehow seemed quite out of place).

How long the Vietnamese VIPs would stay at the reception, I found my surprise, was one of the main subjects of conversation. Some thought it would be just 11/4 hours not a minute more. To fraternise freely with the smaller socialist countries was a different thing but with the big ones equidistance had to be carefully maintained. So went the chit-chat.

At the stroke of 7, Prime Minister Phan Vam Dong walked in, followed by the famous Giap and Le Than Nghi (the Minister for National Economy and Planning). General Giap took my breath away. A rather short, chubby person, with a round face and a disarming mischievous smile, he looked anything but a soldier except for his uniform. Even the uniform had only just a lapel on either side, nothing to show that he was a multi-starred general, at any rate nothing I could make out. Could he really be the Giap who struck terror into the French and the Americans? This place is full of surprises. One looks for supermen, and they turn out to be like anyone else.

The Soviet Ambassador made a long speech from a written script. Some sentences drew immediate applause from the Russians in the audience, then would follow the Vietnamese translation at the end of which Phan Vam Dong would lead the applause. So it went on for 20 minutes or so. All the time, General Giap was standing to the right of the Prime Minister smiling puckishly, sometimes whispering something to Le Than Nghi (a very distinguished looking individual buttoned up in a black costume). Xuan Thuy, one of the key negotiators at Paris, dressed in Western attire, was standing to the right of Le Than Nghi, watching the crowd in the hall rather like a professor at a convocation.

Phan Vam Dong was listening intently to the Ambassador's speech, shaking his head with approval at times, but otherwise almost expressionless. He had a most interesting face, reflecting in every wrinkle all the suffering and strain of years of struggles, not handsome at all (like Giap or Le Than Nghi), but still very arresting and attractive in a peculiar kind of way. There was nothing elegant about his dress either; his buttoned-up tunic, no different in appearance from those worn by some workers I saw at the department store, hung loosely on his rather tall, lean frame. But when he began speaking he was another man. His words had tremendous power, his eyes seemed to roll forward at times giving emphasis to something he said, and it was not difficult to imagine that he could be firm and unyielding.

General Giap betrayed no such toughness in his demeanour. Though his eyes were piercing, a broad forehead and a genial face softened the impact of his personality. Nor did he look any older than 55, though I was told he was 62. He is the man reported by the Western Press only a month or so back as suffering from a serious ailment with perhaps not more than a few weeks to live. As robust and healthy as anyone could be at that age he apeared to me good for at least another 15 years. Apparently he had an operation for some kidney trouble, and has not been seen in public for some nine months or so, which is all the basis there is to the story.

Le Than Nghi seemed a quiet, serious-minded person. Even his responses to general Giap's light-hearted whispers were grave and restrained. He is supposed to be "the economist" in the present leadership. But he has had only primary school education, not even quite all of it, which clearly shows how much education is needed to make an economist and a planner.

After the speeches, which took perhaps just over half-an-hour, the Soviet Ambassador led the top half-dozen Vietnamese VIPs, and all the ambassadors into another room where tables and chairs had been arranged for them to be served. The rest of us stayed in the big hall helping ourselves to the food and drink spread on rows of tables. A Yugoslav diplomat expressed surprise about the VIPs being hosted in another room. It was unusual, he said, but may be it was because the crowd in the hall was too large. Others were not so sure, and I could see that some eyes were rivetted on what was going on inside the other room.

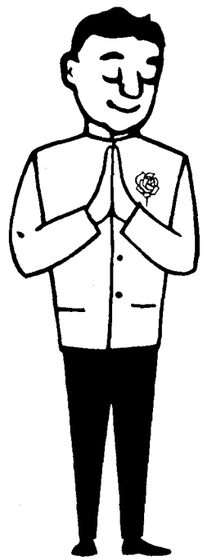
I was fortunate to be introduced to one of the few Vietnamese left in the hall. He, I gathered, was the Vice-minister for Culture. One could have mistaken him for a school teacher or a railway ticket examiner; he wore a very ordinary crumpled cotton suit and a tie unpretentious person, he appeared rather lost in the diplomatic crowd. When Prabhakar Menon (the Indian Charge d'Affairs) told him that I had been in the Delhi University, and was now in Kerala, he brightened up and entered into a most relaxed conversation in English (which he spoke quite well). I discovered he knew quite a bit about Kerala, its politics and the advances it had made in education.

We talked about the school system in Vietnam. Yes, he said, three shifts were too many and four hours a shift were insufficient. But what could they do? So many school buildings had been destroyed in the bombing, and the number of children had been rapidly growing. The children appeared to be much better equipped with books than in Kerala, I observed. o no, that must be a wrong impression, he said, the school were still very ill equipped and there was an acute shortage of teachers. "Of course we print 3 million books for children, but they are not enough. We need to modernize the books and print many more. But we have not enough paper."

As I looked around I found that the Vietnamese were even fewer in number than I thought. Almost all of them were dressed in very plain clothes. The wives of the Indian diplomatic personnel,

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most of them in bright, brocaded silk sarees and wearing jewellery to match were such a contrast to the Vietnamese women who exuded charm wearing the simplest of costumes.

There was no obvious gaiety or camaraderie, which was a little surprising. People stood around and talked in groups, some concentrating more on the food and drink. The atmosphere was a bit too solemn, I thought, considering the occasion. It had occurred to me even while the speeches were going on. Perhaps there were problems of language and communication in this mixed diplomatic crowd.

There was one rather gay character standing near me, he was a Cuban. He was in excellent spirits, and spoke English. So we got talking. Were there many Cubans in North Vietnam, I asked him? Not many, he said, but the relations between the two countries were very rapidly growing. "We are both small and have been clubbed on the head by the same big bully", he added as if to explain why.

There was also a short, stocky Frenchman who appeared quite articulate. I discovered he too could speak English. Like the French journalist I had met earlier he was an old hand from the colonial days. He was all eyes and ears. Why were they taking so long in the other room, he wondered, it was already an hour and a half. That was more than what the Chinese got. But they were not through their food yet, he said, taking a glance at the VIP room.

And so the time passed by, till suddenly there was rustle and we saw Phan Vam Dong coming out of the VIP room followed by the rest. He briskly shook hands with some people, talked briefly to a journalist who had meanwhile intercepted him, and left soon after followed by General Giap and the rest. I could see several looking at their watches. It was fifty minutes past eight.

So it was five minutes longer than at the GDR reception, and this became the immediate subject of comment all around. The Russians had beaten the Chinese to it. But there were differences of opinion. One theory was that the food had been served very slowly, dish by dish, drink by drink, and so the Vietnamese VIPs had no option but to stay on till it was all over. Others thought they had stayed on as a gesture to the Soviet Ambassador who was returning shortly to Moscow after nearly ten years in Hanoi. In any case, someone pointed out, there were only three members from the Politbureau, not four as at the Chinese reception. But that, after all, was for the 25th anniversary of their revolution, said another.

What seemed fantastic to me was that these subtle points of protocol were being noticed and discussed openly by so many, including some belonging to the smaller countries in the socialist bloc. These are the ways, I was told, that the Vietnamese conveyed to their friends what they wanted to. Many seemed to think that relations with China had cooled off lately, though no one was sure whether that meant a gain for anyone else except the smaller socialist countries with whom Hanoi was developing much closer relations. How correct and perceptive these observations were I was in no position to judge, but the evening did give me an insight into the atmosphere of the diplomatic world in Hanoi. Whether the interpretations were right or wrong, it was interesting too that no one thought that Vietnamese could be taken for granted by anybody.

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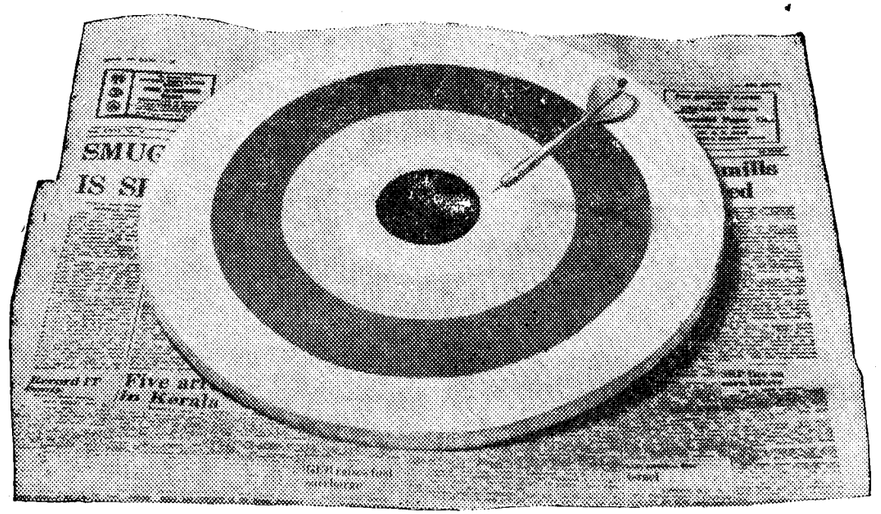
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REVIEW OF AGRICULTURE

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Dairying for the Rich

ANIMAL HUSBANDRY and dairying are supposed to be among the more important programmes for raising the incomes of the poorer sections of the population. The Draft Fifth Plan claims that "it is intended to develop animal husbandry as an important economic occupation for the small and marginal farmers and agricultural labourers". However, the installation of milk processing plants, to supply milk to the rich and middle classes in the metropolitan cities and other urban areas, has far outstripped the achievement in increasing milk production itself. And yet under the so-called 'Operation Flood' it is proposed to set up one more milk processing plant in each of the four metropolitan cities as well as to expand the capacity of the existing plants. Inevitably, this pattern of development of dairying has meant growing dependence on imported skimmed milk powder (SMP) and butter oil. The country currently spends over Rs 20 crores a year on their import: in addition, large quantities of these products are received as gifts. The Delhi Milk Scheme, for instance, is dependent on SMP and butter oil to the tune of 70 to 80 per cent of the milk distributed by it. And taking the milk schemes in all the metropolitan cities, imports make up more than one-half of the total milk supplied. The Draft Fifth Plan dutifully emphasises the importance of raising milk production, "so that the dependence of these dairies on imported SMP and butter oil is eliminated as early as possible".

But what is proposed to be done to raise milk production? How misconceived the entire official approach to animal husbandry and dairying is from the point of view of raising milk production and, even more, from that of improving the economic levels of small and marginal farmers is brought out by the report by Nyholm, Schaumburg-Muller and Westergaard, published elsewhere in this issue, on the Bangalore Milkshed Area where the Intensive Cattle Development Project has been in operation since 1975. The report suggests that the government's animal husbandry programme will achieve neither the objective of increased production nor that of social justice without basic changes in technology and organisation. The technology of cross-bred cows and reliance on co-operatives for milk collection and marketing, the authors show, cater almost exclusively to the interests of the big farmers.

In the area studied by the authors, it is almost entirely the big farmers who have benefited from the livestock development strategy of increasing the number of cross-bred cows, particularly through artificial insemination of local cows with semen from exotic high-milk-yielding breeds. Only very few middle farmers and hardly any among the poorest groups have acquired cross-bred animals. Few farmers from these groups were able to secure loans for the purchase of the cross-breds. Also, middle and small farmers are reluctant to have their cows artificially inseminated, because of the demand for draught power as well as the long and expensive period before the offspring starts lactating. Similarly, the introduction of the co-operative marketing system has not at all reduced the dependence of the small producers on middlemen and village leaders whose power and influence have, on the contrary, often been enormously enhanced because of the development funds, from the government and financial institutions like commercial banks, put at the disposal of the co-operatives controlled by them.

Nothing short of a basic change in the technology and organisation of the animal husbandry programme will, therefore, make possible the achievement of its objectives. With regard to technology, the authors of the report make out a strong case for substituting the native buffalo for the semi-foreign cross-bred cow. For the small and middle farmer, the buffalo is financially more manageable than the cross-bred cow. And while the production potential of cross-bred baffaloes is smaller than that of cross-bred cows, the small farmer who can afford to feed his cattle only traditional fodder is in a much better placed to exploit this potential. Besides, the buffalo being a traditional milch animal, the small farmers would not hesitate to have their buffaloes artificially inseminated as they would not lose draught power. On the organisational side, the authors suggest a policy of establishing parallel co-operatives of small farmers which would not be open to large farmers.

What has to be recognised, however, is that the reliance on cross-bred cows and on marketing co-operatives dominated by large farmers is not accidental or the outcome of lack of appreciation of the adverse consequences of these policies for the social justice objective of the animal husbandry programme or for that of raising the production of milk. They have come to be accepted because they suit the interests of the larger farmers. And precisely for the same reason it is inconceivable that these policies will be changed however contrary they may be to the avowed objectives of the programme.

Towards a More Stable Grain Price Policy

J Sandee

G R Saini

This article aims to devise a grain price policy which would protect small farmers from the effects of harvest shortfalls and stabilise cash flows in the economy. The exercise assumes that sufficient buffer stocks would be available to keep prices and quantities of grain consumption constant.

It is suggested that, for all grain deliveries, a minimum price be paid immediately, to be followed three months later by a premium which would be increased to a certain maximum when harvests are very poor, or reduced to zero when harvests are plentiful. It is further suggested that minimum prices and premiums (standard and maximum) should be made known before the sowing season.

A numerical investigation has shown that, with reasonable values for prices and premiums, acceptable results may be obtained — except probably in Bihar and Rajasthan.

NO grain policy can be successful without the backing of large stocks. When the harvest has been poor, Government has to be able to dig into ample stocks so that consumer prices are kept down and the poor do not suffer overmuch. When harvests are abundant, Government must be able to absorb the surplus at producer prices which are high enough to maintain the confidence of farmers in the profitability of grains cultivation.

We have not tried to estimate how large the stocks ought to be, or asked ourselves how such stocks can be built up, or who should pay for them, or own them — the Central government, the state governments, foreign governments, or some international agency.

We have suggested a line for a price policy that would stabilise cash flows, even while the poor are protected and the farmers given confidence in grains cultivation, and assuming all the while that sufficient stocks are somehow maintained.

Food grains are so important a part of the national product that fluctuations in harvest may upset the entire economy. When harvests are poor, incomes of both producers and landless labourers decline. Small farmers and workers whose wages are normally paid in kind have to buy the grains for their consumption. These are also groups who have little financial reserves and must, therefore, reduce their outlay on manufactured goods. Even large farmers may prefer to do so, rather than liquidate assets or incur debts. Apart from the misery among small farmers and landless labourers, there will thus be a decline also in industrial demand, causing unemployment, an irretrievable loss of output, and a setback to private investment in industry.

All this will happen even if consumption of foodgrains is maintained at the average level, from the stocks which we assume to be available. The selling from these stocks will cause a large inflow of cash into government treasuries of as much as one per cent of the national product if averaged over all the below-normal harvest periods. The multiplier mechanism will get to work, industrial output will fall, services will decline, and the total loss will be several times the loss on grains alone.

However, it will be comparatively easy for the government to reflate the economy, using the revenues from the grains sold from the stocks. The government can allow producers' prices of grains to rise, and low-priced grain can be offered for consumption in the rural areas where harvests have been particularly poor. Direct income support may do the rest.

Indeed, in these operations, a good harvest presents greater problems. Farmers will receive large revenues from sales to the stock-holding authority. Financing this cash-flow will be far from easy, and the financial authorities would not like to inflate the economy to such an extent, foreseeing irreversible rises in industrial prices and wages as a result of the increased purchasing power of the rural sector. The cash-flow must be hemmed in — through price reduction or taxation; and such measures are far harder to take than price increases or subsidisation.

Prices and Premiums

We suggest that, before the sowing season, three prices be announced for each grain in each state: a standard price, a minimum price, and a maximum price.

Standard prices should be paid in most years, so that farmers can use them as guides for their production plans. Recent developments in the world market have stressed the advantages of approximate self-sufficiency in grains, and the standard prices should be set at such levels that farmers will on average produce the grains the country needs.

Minimum prices, or support prices, protect individual farmers from excessive price declines. Every farmer runs the risk that his harvest results will be below the regional average. As long as some grains have to be grown, without irrigation or assured rainfall, some price protection will be essential.

Maximum prices will deter farmers from speculative withholding grains when harvests are poor. They can have this effect, however, only if Government, backed by sufficient buffer stocks, is able to depress them beyond the maximum price level and if these operations are just as little used as the minimum price operations.

A similar set of three prices was mentioned by Kailash Chandra.[1]

At harvest time, the minimum prices can be paid upon delivery, to be followed by a premium some time later. Excessive payments once made cannot be retrieved. We have assumed three months to be a suitable time-lag between deliveries and premium payments. Only if there is clear evidence of very poor harvest should some premium be paid on delivery. In most cases, the premium paid should be the standard premium — that is, the difference between the standard price and the minimum price. Higher or lower premiums should be reserved for very poor or very good harvests, respectively.

We do not see any advantage in paying one price for part of the grain, and another price for the remainder. Moreover, we believe the premium system can work properly only if the government controls *all* grains procurement. There are various administrative ways of doing this, but for the sake of simplicity we have assumed that Government has taken over the entire wholesale trade in grains.

In Case of Withholding

If the harvest is known to be good, the farmers will not expect any premium; however, they will expect standard premiums to be paid for grains supplied a year later. If these premiums are expected to be high enough, farmers will withhold part of their output, to be delivered later.

In doing this they will incur storage costs. To store a bumper crop, a farmer cannot use his normal storage facilities, and he must either build or hire *pukka* storage space, or accept the losses of *kachha* storage. Withholding of bumper crops will save the stockholding agency the storage cost over the amounts withheld. At the same time, it will have missed the chance to buy the grains cheaply.

The farmers' storage costs — including interest charges — may well be higher than the costs of large-scale storage, and this has made us feel that withholding of bumper crops should be discouraged, through setting minimum prices which are not too below the standard prices. Consequently, the minimum prices will be less affected as an instrument to reduce cash-flows in times of abundance.

A similar reasoning can be followed to determine the span between standard prices and maximum prices. When harvests are about normal, farmers may speculate on a poor harvest in the following year and withhold part of their output hoping of earning the maximum premium on it in that year. The probability of poor harvests is low by definition, however, and maximum prices may, therefore, be put quite high without tempting farmers too much.

Rural Consumer Prices

Small farmers and landless families buy some or all of the grains they consume even in normal years; in bad years they have to buy considerably more. While premiums may be high in bad years, consumer prices would have to be subsidised. The amount of the subsidy has to be limited only by the possibility of its abuse. The disparity between raised producers' prices and reduced rural consumer prices cannot be made too great, otherwise quantities of subsidised consumption grains would be offered in wholesale markets as 'newly harvested' supplies.

In practice, subsidised grains would be made available only after the harvest shortfall has actually occurred. We have assumed that a lag of three months would be required. Improved predictions of harvest results could reduce this delay, and so make subsidisation more effective.

While it is easy enough to invent a scheme such as the above, it is much harder to assess its effectiveness. There is no way of checking beforehand whether the farmers will really behave as we have supposed. But it is possible to put actual figures into a computer to find out the effects of such a scheme under the behavioural assumptions made above.

This is what we have done, and the remainder of this article describes the linear programming model built for this purpose:[2]

The Model in Brief

Our model analyses how the system would have worked around 1975, had sufficient stocks been available by then. We chose this very proximate year because we did not want to take into account output trends in grains and structural changes in the rural sector which will occur by the more distant future. This, indeed, is one of the many avenues of further exploration opened up by our analysis. Prices in our model are centred around a retail price of wheat of Re 1.00 per kg. This should not be taken as our estimate of a 'realistic' or 'correct' price in 1975: it is nothing but a *numeraire*, and our analysis would not be affected if it were doubled or halved. We have also assumed that the supply of grains to urban consumers will not be affected by harvest variations — neither in volume nor in price — and so our model is entirely confined to the rural sector.

The model considers 17 states/regions covering the entire country. The grains considered are rice, wheat, and 'other grains' (which exclude pulses other than gram). The agricultural year is divided into four quarters. Twenty-seven harvest-patterns are considered in the model. Small farmers and landless rural consumers are considered separately from the large farmers.

In each of the four quarters, we chose 17 states and 27 harvest variations, and subsidies and premiums aimed at stabilisation of cash-flows and protection of small farmers. The computer did this for us, using the APEX algorithm of the Control Data Corporation for each of the four quarters seperately. To keep its labours within bounds, we assumed that in any one quarter and state, subsidies and premiums would equally apply to all three

Table 1: Mean Absolute Flow Deviations before and after Policy (Rs abja)

Quarter	Before	After
July-September	0.158	0.000
October-December	1.786	0.441
January-March	1.033	0.040
April-June	0.950	0.000

grains.

Stable prices lead to stable consumption, and consumer reactions have no place in our model. The income variations of rural producers (which would anyway be strongly reduced as a result of policy suggested) are not supposed to affect the quantities consumed. The only behaviour patterns incorporated in this model refer to the distribution, by large and small farmers, of their grain crops over sales (to the government, as sole buyer) and stock additions. We have assumed that this behaviour does not depend on prices either. Hence all grain flows can be estimated for any harvest result without considering the grain prices.

Harvest fluctuations differ geographically, and as we want to support the income of *local* groups of small farmers — not of all small farmers clubbed together — instruments will have to vary from area to area. In addition, net cash-flow must to some extent be stabilised locally, because demand for industrial products is localised to an important extent. The geographical unit chosen is the state. Most statistics are arranged by states anyway, and the Indian states are reasonably equal in size. Some gain in policy-effectiveness way be expected from subdividing a large and heterogeneous state such as Uttar Pradesh, and a few of the smaller states could have been aggregated with other states without great damage to the precision (such as it is) of the model. However, we have preferred simply to use the states for our geographical disaggregation.

The Union of India comprises 21 states and nine Union territories. For the purposes of our model, we have grouped the states and Union territories into seventeen states or regions which we hereafter refer to as states. There are Andhra Pradesh, Assam (including Meghalaya, Manipur, Nagaland, Tripura, Arunachal Pradesh and Mizoram), Bihar, Gujarat, Haryana (including Delhi), Himachal Pradesh, Jammu and Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra (including Dadra and Nagar Haveli, Goa, Daman and Diu), Orissa, Punjab (including Chandi-

TABLE 2: FLOW VARIATIONS BEFORE AND AFTER POLICY IN SEASON 2
(Rs abja)

Before	After	Before	After
4.79	1.98	0.00	0.00
3.98	1.45	—0.06	0.00
3.21	1.18	—0.62	0.00
3.08	0.73	—0.65	0.00
2.53	0.30	—0.66	0.00
2.27	0.13	—1.05	0.00
1.73	0.05	—1.53	0.00
1.53	0.00	—1.69	0.00
1.35	0.00	—2.08	—0.01
0.95	0.15	—2.31	—0.77
0.83	0.00	—2.46	—1.60
0.81	0.00	—3.32	—1.82
0.60	0.00	—3.91	—1.74
0.03	0.00		

garh), Rajasthan, Tamil Nadu (including Pondicherry, Andaman, Nicobar and other islands), Uttar Pradesh and West Bengal.

'SMALL' AND 'LARGE' FARMERS

B Venkatappiah[3] defines a 'potentially viable small farmer' as a (marginal) surplus producer, and in the Fourth Five-Year Plan (page 150) it is assumed that the smallest potentially viable farmer may have less than two hectares = 5 acres. For our purposes, we want to know the size of farm above which the farmer will normally have sufficient grain production to meet the consumption requirements of the family. We believe that five acres may well be the best estimate of this size for India as a whole.

In regions with low productivity of land, a larger area would be needed, while in high productivity areas even a smaller area may suffice. To take these differences in productivity among the states into account, we have divided the borderline size of five acres for India as a whole by the ratio of each state's average cereals productivity in 1969-70 and 1970-71 to the all-Inlia cereals productivity. We thus obtained a borderline size for each state — which varied from 2.3 acres in Punjab to 9.0 acres in Maharashtra.

On the basis of these borderline farm sizes, we apportioned the area operated and the number of households over 'small' and 'large' groups, using National Sample Survey Report Number 144 for the distribution of area and households oversize classes by states.

THE STANDARD FLOWS

The following five grain flows (in million tonnes) have been estimated for a normal harvest in 1975-76:

(i) net production
(ii) consumption
(iii) sales
(iv) purchases
(v) farmers' stock variations (balance)

Each of these flows has been separately estimated for

(a) rice, wheat, and 'other grains'
(b) 17 states
(c) large and small farmers (including landless families for consumption)
(d) four quarters

Altogether this comes to 5 x 3 x 17 x 2 x 4 = 2040 standard flows.

Of course, we encountered the well-known gap between production and consumption estimates. Following Madalgi,[4] we ascribed this to over-reporting of consumption.

For sales we assumed that large farmers would sell the entire surplus over their consumption requirements, while small farmers who by definition would have little surplus to sell would nevertheless sell about one-third of their rice and wheat production immediately, as 'distress' sales.

Purchases of grains for cash in rural areas could be taken from National Sample Survey.

In a normal year, as a whole, stock variations should be zero; with our first estimates, this was far from being the case. We therefore adjusted sales, purchases, and the distribution of all flows over large and small farmers until all stock variations, over the year as a whole, disappeared. This we did with the ancient least squares error-smoothing procedure, perhaps for the first time for this purpose.

For the distribution over seasons, we used the scanty information available from NSS and the Ministry of Food and Agriculture.

To assess the effectiveness of the system, it should be tried out in a sufficient number of realistically chosen different harvest situations. We analysed state-wise production data for the seven years, 1965-66 to 1971-72. By means of the 'principal components' analysis, we identified three distinct patterns of variation. These we used to construct a 'grid' of 27 equally probable harvest patterns for the three grains in the 17 states. The centre point of the grid (variation 14) represents the mean or normal pattern: it has a probability of 1/27 just like any of the other patterns.

We then had to estimate how, in each of the quarters, large and small farmers would react to harvest variations. For large farmers, additional output was added to sales and a shortfall subtracted from sales — but no further than to reduce sales to zero. The remaining deficit, if any, was made good from quarterly stock additions.

We assumed that small farmers would use additional supply first to reduce cash purchases, until these fell to five per cent of consumption — a minimum representing the consumption of landless families without income in grains. The remaining surplus, if any, was added to sales. A shortfall in small farmers' output was distributed over a reduction in sales and an increase in purchases, in a manner too complicated to be related here.[5]

BOUNDS ON SUBSIDIES

To represent consumer subsidies, we defined variables ISPRD (for 'issue price reduction') which we made subject to the bounds $0 \leq \text{ISPRD} \leq 0.30$

The upper bound, of Re 0.30 per kg, represents the highest subsidy we believe feasible without too much danger of abuse.

In addition, we stipulated that in each quarter and in each state,

$$\sum_{n=1}^{27} \text{ISPRD}n \leq 0.90$$

In this formula, the letter n stands for the number of the harvest variation (from 1 to 27). By means of this bound we obtain that the full subsidy of Re 0.30 per kg shall not be given more often than three times out of 27, with no other subsidies allowed at other times. Alternatively, smaller subsidies than Re 0.30 per kg may be given more frequently.

The purpose of this bound is to rule out frequent subsidisation in any state or quarter.

We assumed that the standard premium could be Rs 0.15 per kg in all cases. This meant that any premium reduction PRMRD is bounded by:

$$0 \leq \text{PRMRD} \leq 0.15$$

The upper bound on extra premium PRMEX to be paid when harvests are poor can be put further away:

$$0 \leq \text{PRMEX} \leq 0.30$$

To give more meaning to the concept of a 'standard' premium, we felt that variations in the premiums should not happen too often:

$$\sum_{n=1}^{27} \text{PRMRD}_n + \sum_{n=1}^{27} \text{PRMEX}_n \leq 1.80$$

They should not be too one-sided either:

$$-0.45 \leq \sum_{n=1}^{27} \text{PRMRD}_n$$

$$-\sum_{n=1}^{27} \text{PRMEX}_n \leq 0.45$$

The computer has to find the values of subsidies and premiums, within the bounds set, which minimise shortfalls in small farmers' revenues and variations in cash-flow. This is obtained by providing the computer with a suitable objective function. One component of the objective refers to shortfalls in small farmers' revenues; this component bears a suitable negative valuation.

In any one of the 27 harvest variations, the grain flows affecting small farmers are given; the prices that translate them into net revenue components depend on the ISPRD and PRMRD or PRMEX variables. Net revenue thus is a linear function of the subsidies and the premiums.

We define the standard net revenue of small farmers as the revenue they receive when harvests and prices are standard. A shortfall occurs when the net revenue is less than this standard revenue; these shortfalls, if occurring, are added up over the 27 variations and the sum is given a negative valuation in the objective function.

The choice of the standard net revenue as the benchmark from which to measure shortfalls is, of course, somewhat arbitrary.

The net cash-flow to all farmers in all states, together, is also a linear function of 17 x 3 = 51 subsidies and premiums. In any one of the four quarterly models, its average over the 27 variations can be written as a linear function of the 27 x 51 = 1,377 policy instruments. In some of the 27 variations, the net cash-flow will fall short of this average, and in most of the other cases it will be in excess of the average. The sum of shortfalls and excess (both taken positive!) is a measure of the variability of the cash-flow in India as a whole. It is also given a negative valuation in the objective function.

Figures for, the variability of grain outputs, state-wise, indicate that variations are strongly localised and sometimes even opposite comparing one state to another. Although India is a free-trade area for industrial products, divergent grain harvest variations in states could seriously affect the local demand. Only with considerable friction can a downward variation in some states be compensated by upward variations elsewhere. Stabilisation for each state, separately, thus becomes a further aim. This will prevent farmers in one part of the country from complaining that their grain encounters lower purchase prices because harvests have been exceptionally good elsewhere!

Technically, stabilisation by individual states is handled similarly as for India as a whole. The average net cash-flow in each state is again written as a linear function of the instruments. Net cash-flows in each of 27 variations can now be compared to the state average flows. In this case, however, we have two benchmarks disposed symmetrically at either side of the average net cash-flow. A net cash-flow lying between these two benchmarks does not incur any penalty. Only cash-flows below the lower benchmarks are considered to show a showfall, measured from the lower benchmark, Cash-flows above the higher benchmark show an excess, measured from the higher benchmark. The sum of shortfalls and excesses, so defined, is again given a negative valuation in the objective function, and this is done separately for each of the 17 states.

The position of the benchmarks is again somewhat arbitrary: each is fixed at a distance from the average, corresponding to Rs 8 per head of the population in the state concerned. It was left that variations upto Rs 8 per head in any quarter would not call for compensatory action.

The procedure was introduced after it had been observed that the linear programming algorithm gave the same attention to every rupee of shortfall or excess, whether they occurred very close to the average or very far away from it. The refined two-benchmark method at least rules out penalisation of small variations.

If, in our model, all stress is laid on the stabilisation of flows, safeguarding a minmum income to the weaker sections of the rural population, the mean cash-flow taken over all harvest fluctuations may work out to the disadvantage of the treasury. Average terms of trade, between countryside and towns, would change in favour of the rural sector. Though this may appear to be a small price to pay for stabilisation and prevention of extra poverty in rural areas, we feel that mean cash-flow to the rural areas should be made to increase less than, or even decline in conjunction with, stabilisation and minimum incomes policy. A negative weight was therefore attached to the mean cash-flow to the rural areas to achieve this purpose.

TABLE 3: FLOW VARIATIONS AND SMALL FARMERS' REVENUE SHORTFALL BEFORE AND AFTER POLICY IN OCTOBER-DECEMBER IN BIHAR

Before Policy Poor Harvest Policy				After Policy	
FLOW	SYDIF	PRMEX	ISPRD	FLOW	SYDIF
1.310	0.653	—	0.300	1.161	0.503
1.113	0.526	—	0.300	0.968	0.377
1.112	0.455	—	—	1.113	0.455
0.906	0.337	0.075	0.300	0.708	0.166
0.812	0.332	—	—	0.812	0.332
0.762	0.284	0.300	—	0.533	0.197
0.741	0.280	0.300	—	0.510	0.192
0.481	0.183	—	—	0.482	0.182
0.435	0.138	—	—	0.436	0.138
0.324	0.117	—	—	0.325	0.117
0.309	0.086	—	—	0.309	0.086
0.112	0.020	—	—	0.112	0.020

SOME RESULTS

Each of the our Simplex tableaux has 1,050 rows and 2,835 columns. They were separately optimised, and only a few of the results will be discussed here.[6] The success of cash-flow stabilisation follows from Table 1.

At standard prices ('before policy') the net cash-flow showed variations around the mean in the order of Rs 100 crores, to be set against a quarterly national product in the order of Rs 100 abja. With judiciously chosen price variations most of this variability could be eliminated.

Only in the second quarter of the agricultural year did a certain variability persist. This is further analysed in Table 2.

It will be seen that of the 27 variations those less than Rs 2 abja are almost all eliminated. One may well ask whether stronger penalties on large aberrations (in the way it was done for state-wise deviations) would not have given better results.

BIHAR AS SPECIAL C371

The two-benchmark system eliminated almost all large state-wise deviations — with the important exceptions of Bihar and Rajasthan in October-

GOOD HARVEST

Before Policy Flow	Policy PRMRD	After Policy Flow
.000	—	.000
—0.125	—	—0.125
—0.141	—	—0.141
—0.152	—	—0.152
—0.397	—	—0.397
—0.455	0.075	—0.316
—0.527	—	—0.528
—0.607	0.150	—0.305
—0.794	0.150	—0.483
—0.946	0.150	—0.613
—0.975	—	—0.976
—1.062	0.150	—0.679
—1.294	0.150	—0.925
—1.401	0.150	—0.985
—1.740	0.150	—1.291

December. We analyse the case of Bihar further in Table 3.

In Table 3, the 27 harvest variations have been ordered by the size of flow, the variable representing the shortfall of net revenue from grains relative to a standard value. This shortfall is greater than Re 1 abja in three out of 27 cases. In four out of 27 cases, however, there is an excess of net revenue greater than Re 1 abja. For India as a whole, 'a variation of Re 1 abja in any one quarter is a quite large amount, compared to the quarterly national product of the order of Rs 100 abja. For Bihar alone, such variations are truly enormous.

Table 3 shows that policy instruments are mainly used to reduce the larger deviations. This is the effect of the two-benchmark procedure: the benchmarks are at Rs 0.474 abja and Rs —0.508 abja, respectively, and little happens between them. It should be remembered that Bihar also contributes to the all-India cash-flow variations, and the use of instruments inside the Bihar benchmarks is designed to reduce the all-India variations.

The total effect of policy is not very impressive, and it may be asked why more cannot be done. It appears from Table 3 that, if an instrument is used at all, it is nearly always used to the fullest extent allowed by the bounds put upon instruments. There is thus little chance to do more, unless one allows much greater price variations than Re 0.30 per kg upwards, or Re 0.15 per kg downwards. But the PRMEX instrument could be used more often, to increase the cash-flow in case of serious harvest failures. The reason why this has not taken place is that the use of premium variations is limited by the requirement:

$$\sum_{n=1}^{27} \text{PRMRD} + \sum_{r=1}^{27}$$

PRMEXn $\leqslant$ 1.80

This requirement was put in to give more meaning to the concept of the standard price. Perhaps in Bihar this is asking too much.

Table 3 also provides information about SYDIF, the shortfall in small farmers' net revenue. It will be seen that this shortfall can be as high as Rs 50 crores even after the maximum grain subsidy has been allowed. Obviously, the grain revenue problems of Bihar cannot be solved by grain price policies alone. It should perhaps be repeated that, under the assumptions of our study, grain consumption is not affected by harvest variations at all. If the harvest has been poor, grains are provided from buffer stocks in any quantity required. But the small farmers in Bihar will have to be given the money to buy these grain supplies, in perhaps one in three years.

It may be that the problems of Bihar look somewhat more serious than they are on average because we estimated the extent of harvest variations from the period 1965-66 to 1971-72 which, for Bihar, may include rather stronger variations than may be expected on average over a longer period. It is doubtful, however, that an extended analysis would much improve a dismal picture.

Bihar and Rajasthan are the only serious cases. In all the other states, grain price policies may be sufficient to stabilise money flows and protect small farmers' income.

CONCLUDING REMARKS

Our study assumes buffer stocks so large that consumption can be completely stabilised. Present stocks are nowhere near such a level. Consumer prices will, therefore, have to vary inversely with harvest results. If a bumper crop should occur (as it must from time to time). government will have a good chance to build up stocks cheaply; but the net cash-flow to the rural sector may rise considerably, and deflatory measures may have to be taken. If another harvest failure occurs, grain prices are bound to rise further, and some groups in the rural population will do very well out of other people's misery and the financial aid the government will have to give to the poorest sections of the community.

To devise optimal policies for these conditions is far beyond the scope of our analysis. Several years will have to pass before our model may be of any practical use. During those years further thought would have to be given to the problem of stabilisation and protection of small farmers' incomes when sufficient grain stocks *are* available.

Notes

[The research for this article was done in 1973 and 1974, at the University of Bristol, with the financial assistance of the Social Science Research Council and the Nuffield Foundation.]

1 Kailash Chandra, 'Agricultural Price Policy: Objectives and Concepts', in *National Food Congress Resource Papers* (May 1970).

2 Considerably more detail can be found in our report "Harvest Fluctuations and Grain Price Policy under State Trading in India", University of Bristol, August 1974. Copies of this report may be obtained from the authors at the Central Planning Bureau, The Hague, Netherlands, or the Agricultural Economics Research Center, University of Delhi.

3 B Venkatappiah (1970), 'Small Farmers' Problems and Programmes' in *National Food Congress Resource Papers* (May 1970). Conference of the Indian Society of the Agricultural Economics held at Waltair in 1969.

4 S S Madalgi (1971), 'Poverty in India — A Comment', *Economic and Political Weekly*, February 20, 1971, pp 503-506.

5 The resulting 27 x 2040 = 55080 flows are shown in the Numerical Appendix to our report, which is also available upon request.

6 All the co-efficients and results are shown in the Numerical Appendix.

Asian Electronics

ASIAN Electronics has secured an industrial licence to manufacture annually 40,000 TV picture tubes. The project, being set up at Nasik in Maharashtra, is expected to go on stream by the last quarter of 1975. Estimated to cost Rs 22 lakhs, it is intended to be financed by internal resources and borrowings. Meanwhile, the ceramic capacitors unit, being established at the Santacruz Electronics Export Processing Zone (SEEPS), should commence production by the first quarter of 1975. The factory building is already complete and the bulk of the machinery has arrived. Besides, the company also intends to diversify its product-range by taking up manufacture of poly-propylene capacitors, high voltage resistors, potentiometers and electronic grade ceramics. During the first seven months of the current year, AEL's turnover reached Rs 81 lakhs against Rs 52 lakhs during the same period last year and Rs 118 lakhs during the whole of that year.

A Case of the Process of Tractorisation

N S Jodha

The causes and consequences of farm mechanisation have been discussed largely in the context of well-watered areas which have had substantial improvements in productivity.

This paper seeks to study a case of rapid tractorisation in a dry and, by the standards of the 'green revolution' regions, fairly backward area.

On the face of it, agro-climatic conditions in the region make the tractor a most uneconomic and wasteful innovation. In fact, it is found that it is precisely these conditions which have contributed the most to the quick spread of tractor cultivation in the area.

FARM mechanisation, particularly tractorisation, has been a major issue of debate in India in recent years. However, the causes and consequences of mechanisation have been discussed largely in the particular context of well-watered areas which have had substantial improvements in productivity.[1] The limited objective of the present paper is to illustrate the fast pace of tractorisation in a dry and — from the standards of 'green revolution' regions — fairly backward area. Agro-climatic conditions of the region which, on the face of it, seem to make the tractor a most uneconomic and wasteful innovation for it have, on the contrary, contributed most to the quick spread of cultivation by the use of the tractor in the area.

The study relates to an area within the desert region, traditionally known as *Suhalag* (the term. used for a relatively better area) in the Jayal Tehsil of Nagpur District in the western, dry, part of Rajasthan. The normal annual rainfall of the area is 31.9 cm but the fluctuations even during the last 10 years have ranged between 18.7 and 58.8 cm. Soils of the area are light black and sandy loam with intervening stretches of gravelly uplands.[2] The extent of irrigation hardly exceeds one per cent of the net sown area, but occasionally grows wheat and mustard on the basis of residual moisture when there are good rains. Important kharif crops of the area are jowar, bajra, sesamum and kharif pulses. Cattle and sheep raising are important subsidiary occupations of the farmers.[3]

The data on tractor cultivation and other plot-wise and holding-wise details were initially collected from a cluster of six villages as a part of the author's Ph D work in 1964-65 and 1965-66.[4] Some broad details from these villages were again collected during 1973-74.[5] Some data were culled out for the intervening years too from the patwaris' *Khatoni* and *Girdawari* records, panchayat records, and rudimentary accounts of tractor owners. Further, for one of the villages, which the author visited twice a year and for which he had satisfactory arrangements for collecting and keeping more detailed information for more years, was better covered. Hence, in the discussion that follows, at places where details from all the villages were not available the situation has been illustrated with details from this *one* village.

SPREAD OF TRACTOR CULTIVATION

For the first time, successful tractor cultivation in the area was introduced in 1959, by a landless ex-serviceman.[6] His instant prosperity through tractor-hire service had a strong demonstration effect in the area. A number of people individually, or collectively, acquired tractors and many households, irrespective of the size of their holdings, hired tractors. Table 1 gives details of the progress, village-wise. During 1964-65 to 1973-74, the number of tractors (for all villages taken together) increased from 10 to 59, and the number of tractor owners, from 13 to 160. In terms of the use of tractors — the real indicator of extent of tractorisation — Table shows a phenomenal change. The proportion of households cultivating partly or fully with tractors increased from 7-15 per cent in 1964-65 to 70-90 per cent in 1973-74 in the different villages. The percentages of plots ploughed by tractors in the two corresponding periods, are 3-16 and 70-73, respectively.

The most important reason for the rapid spread of tractorisation in the area — as will be seen from the following discussion — is the highly paying business of customer service which, in turn, has been sustained both by the peculiar climatic conditions and the type of informal customer service arrangements which have developed in the area. The process has also been greatly helped too by the availability of public funds for the purchase of tractors, as is indicated by the increasing share of the Land Development Banks (LDB) loans,[7] in the investment costs of tractors. Thus, even the medium size farmers could acquire tractors by informally pooling together their lands (see Table 2).

TIME FACTOR IN CULTIVATION

The area not only has very low rainfall but the rainfall comes mainly in two to four showers during July and August. This limits the wet periods (or sowing periods) to two to four weeks for the whole season. The wet periods are further shortened by the fast winds in the area. Thus the success of the crop is largely determined by one's capacity to exploit the short wet periods. The consequences of delayed sowing (for want of sufficient draft power) are: need for re-sowing and lower crop yields, as is partly illustrated by Tables 3 and 4. Accordingly, as high as 50 per cent of the area may need partial or full re-sowing if the sowing takes place after one week of soaking rains. The extent of re-sowing increases with the length of the delay period. Crop yields, too, may be adversely affected by this.[8] Hence, at least for technical reasons, any facility which helps the farmers in overcoming the problem, created by short wet periods *vis-a-vis* their limited draft power, would be readily acceptable to them. This provides the first explanation for the fast tractorisation in the selected villages.

A closer observation of the situation indicates that, in economic terms too, tractor cultivation has a merit over bullock cultivation in the area. Even in the absence of precise estimates of the cost of maintaining bullocks, it is well known that, because of their serious under-utilisation, bullocks are an unavoidable burden on the farmer. An indirect and partial — but interesting — indication of this is found in the quantities of fodder (locally known as *Lancha*, i e, finer fodder reserved for bullocks to be fed to them mainly during the work period, which the farmers have been able to sell following the decline in the number of bullocks possessed by them (see Table 5). According to Table 5, small and medium

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TABLE: VILLAGE-WISE DETAILS OF TRACTORS, TRACTOR OWNERS AND USERS DURING DIFFERENT YEARS

Villages and No of Cultivating Households	Average Size of Landholding (Acres)	1964-65				1968-69				1973-74			
		No of Tractors	Tractor Owning Household	Tractor Using Household	%* Plots	No of Tractors	Tractor Owning Household	Tractor Using Household	%* Plots	No of Tractors	Tractor Owning Household	Tractor Using Household	%* Plots
A.(85)	22.2	1	2	7 (8.2)	12.3	5	8	58 (68.2)	53.2	12	20	77 (90.6)	73.4
B.(171)	27.1	1	1	12 (7.0)	7.7	5	14	—	—	7	28	124 (72.5)	—
C.(156)	23.9	3	4	20 (12.8)	13.6	10	15	73 (46.8)	48.9	16	31	111 (71.2)	69.8
D.(248)	25.4	2	2	18 (7.3)	—	9	21	—	—	14	43	175 (70.5)	—
E.(180)	31.8	2	2	27 (15.0)	15.7	3	8	—	—	5	15	158 (87.7)	—
F.(112)	24.6	1	2	9 (8.0)	3.2	3	12	—	—	5	23	84 (75.0)	76.8
Total (952)	26.3	10	13	93 (9.8)	—	35	78	—	—	59	160	731 (76.8)	—

Notes : 1 * Percentage of total plots of land which have been partly or fully ploughed by Tractor.
2 Tractors used by the households are not necessarily those belonging to their own villages.
3 Figures in brackets indicate the tractor users as percentage of total households.

farmers' expenses on tractor-hiring services have been more than compensated by the sale of surplus fodder.[9] Of course, the marketing of fodder has been encouraged partly by the transport facilities provided precisely by the newly acquired tractors.

FEATURES OF TRACTOR-CUSTOM-SERVICE

Non-tractor-owning farmers have been greatly induced to hire in tractors because of the facilities which the tractor owners have been able to offer. The extent of these facilities depends partly upon the competition among the tractor owners.

First, the payment for tractor service is invariably on a 'deferred' basis. The customer is required to pay the tractor charges only at the time of harvesting; a crop failure may mean deferment of payment for two years. Thus the non-availability of resources for immediate payment does not act as a constraint on the hiring in of a tractor (as against hiring of a pair of bullocks where immediate payment is the practice).

Secondly, for the hiring of a tractor, payment (either immediate or at harvest-time) is also acceptable in kind — whether grain, fodder, fuel, or labour, etc (see Table 6). The customer does not always feel the burden of tractor-charges in terms of out-of-pocket expenses. In fact, some of the products — such a bajra stalk, which hardly has any market in these villages — are readily accepted by the tractor owners as payment in kind for services rendered, as they can transport the same to markets in distant towns and still earn a fairly large margin.

Thirdly, as the success of the tractor-hiring business of the tractor owners themselves is closely linked with the success of the crops of their customers, the tractor owners try to help the customers in various other ways — such as with providing them seeds, with cash for hiring labour, with arranging transport and marketing of crop, etc. This is an important feature of the customer service system which has informally evolved in these villages. Thus, not only are the farmers' draft-power requirements taken care of,[10] but also their credit and marketing needs, which induce especially the small farmers to go in for increasing employment of tractors.

THE TRACTOR OWNERS

The above-mentioned features of the informal customer service as operated by private tractor owners is quite distinct from the customer service which is operated in a more formal and rigid manner by certain institutions like the panchayats and the co-operatives in the area.

The key factors (from the viewpoint of the tractor owners) in the successful operation of the customer service are: (i) their capacity to offer services on deferred payment basis; (ii) ability to ensure almost cent per cent recovery of dues from every category of customers; and (iii) ability to obtain maximum utilisation (in the specific context

TABLE 2: DETAILS ABOUT (A) TRACTORS AND (B) TRACTOR OWNERS IN THE SELECTED VILLAGES

Details	1964-65	1968-69	1973-74
(A) Tractors			
1. No of Tractors	10	35	59
2. Average total investment per tractor+accessories (Rs)	28,497	36,366	41,803
3. 0/0 share of LDB advances in (2)	32.6	68.8	75.2
(B) Tractor Owners			
4. No of tractor owners (households)	13 (6)	78 (65)	160 (142)
5. Average size of landholding of (4) (Acres).	63.8	47.6	36.2
6. House holds (4), having other incomes from			
a) sheep raising	4	43	112
b) Cattle raising	7	20	61
c) Off-farm employment	5	13	15
d) Trading, etc.	1	4	4
e) Pension/remittance	3	32	78
7. Households having no subsidiary source of income	1	—	—

Notes : 1. Figures in brackets indicate the number of households who own tractors jointly.
2. Other sources of income excludes the income from hiring out tractors.

of the region) of tractor-time during the different seasons.[11]

Tractor owners derive their capacity to hire out tractors on a deferred payment basis because of the multiple sources of income which most of them have (see Table 2, part B). Subsidiary occupations, like sheep raising and employment of some family members in towns, etc, ensure timely availability of funds to make possible the repayment of instalments of LDB loans and the purchase of diesel oil in advance even during scarcity years. People without diversified sources of income simply cannot run the customer service.[11]

Tractor owners have been able to ensure full recovery of their dues from their customers, as they accept payment also in kind, and that too in terms of (i) any farm product ranging from fodder and fuel to manure, (ii) labour, or (iii) land on a share cropping/lease basis. Acceptance of payment in terms of fodder and fuel has proved quite rewarding as these can be transported and sold in distant towns or even in villages with scarcity conditions where fodder has a good price. Thus the linking of customer service with transport and marketing business, on the one hand, and with informal labour contract and land leasing arrangements, on the other, has made the running of customer service a profitable proposition for the tractor owners.

The tractor owners have been able to guard against the under-utilisation of tractors by hiring out the same for cultivation and transportation purposes, not only in their own villages but also in quite distant villages and districts (see Table 7). Guided by news about good rains, they move from place to place in the region, at times covering distances as long as 150 miles. In the off-season, they move to irrigated areas in the state. Besides hiring out the tractor services, they also engage in share-cropping arrangements. By adding a chaff-cutting machine to the tractors, some of them have been able to have regular hiring business during the non-crop season too. Occasionally, faced with little private business, they engage their tractors on contract jobs on public works.

TABLE 3: DISTRIBUTION OF PLOTS SOWN AND RE-SOWN BY PERIOD OF SOWING (1964-65)

Details	Sowing Periods (days following each of the three soaking rains)		
	1-7	8-15	16 and above
No of plots sown (0/0)	323 (100.0)	236 (100.0)	154 (100.0)
No of plots lequired resowing (0/0)	23 (7.1)	119 (50.4)	104 (67.5)

Notes : 1 Total number of plots is 584. Cummulative total of row (1) exceeds 584 because it counts a plot as many times as it was sown/resown during the season.
2 Table excludes the plots where stagnation of water unduly delayed the sowing.
3 Plots required resowing includes all plots which were partly or fully resown as well as those which remained unsown second time due to resource constraints of the farmers.

TABLE 4: AVERAGE YIELD OF BAJRA IN PLOTS BY PERIOD OF SOWING (Kg/ACRE)

Rainfall Period	Period of Sowing in Terms of Days Following the Soaking rains		
	1-7	8-15	16 and above
I July 2nd Week	411.8 (19)	352.7 (22)	248.9 (15)
II August 1st week	372.4 (17)	262.2 (16)	182.5 (17)
III August 4th week	220.3 (21)	81.2 (15)	64.3 (16)

Note : For the above table plots of only those 15 farmers have been considered who had one or more plots falling in each of the categories indicated in the table.

OTHER IMPACT

Land Use Intensity and Employment:

In the dry region, represented by the villages studied, the tractor is probably the first modern innovation which has significantly added to the adaptability of traditional farming systems to the peculiar agro-climatic conditions of the arid region. It has facilitated the ploughing of a maximum area, at appropriate times, during very short wet periods, with the possible consequences in terms of stability and increase of crop production. Extensive fallowing of land, which used to appear unavoidable in the past, is no more so. Table 8, section A, indicates an increase in the net sown area, from 65 to 86 per cent of the cultivatable area, during the 10 years of the selected village. The area under current and old fallow has also declined substantially, indicating an improvement in the land use intensity over a period of time.[12]

Increased land use intensity had consequences for the employment situation in the village. No precise figures are available about employment at the two points of time.[13] However, an indirect and partial indication of the increase in demand for labour could be had from the changes in the wage rates for different farm operations (Table 8, section D).

A more interesting phenomenon is that increase in wages for operations — such as weeding to harvesting — is greater where tractorisation had no labour displacement effect. This also suggests that tractorisation (through increased area under crops) had a greater role to play than other factors, like inflation, in raising the wage rates.[14]

Transport and Marketing:

The villages which had never used any means other than bullock carts and camels for transporting goods in the past,[15] have had vast new avenues for marketing goods opened out to them by the tractors. In fact, some products, like bajra stalks, have become a marketable commodity largely because of tractor-use. The changed situation is partly reflected in the higher prices the farmer is able to receive within the village itself (Table 8, section. E). An important reason for the higher prices, as indicated earlier, is the tractor owners' linking of customer services with their fodder marketing business.

An additional feature of the situation is that, while outside transportation is done by tractors, the transport within the village (farm to home or farm to farm) is done by bullock carts-custom-service operated by some small farmers. This system, non-existence about 10 years ago, has become a fairly paying business in view of the decline in the number of households

TABLE 5: NUMBER OF BULLOCKS ON FARMS, EXPENDITURE ON TRACTOR HIRING AND SALE VALUE OF FODDER BY SIZE OF HOLDING

Landholding Size Groups (Acres)	Average Size of Holding	No of House-holds	1964-65		1973-74		
			Total No of Bullocks	Average Value of Fodder Sold (Rs)	Total No of Bullocks	Average Value of Fodder Sold (Rs)	Average Expenses on Tractor Hiring
Less than 1 to 10	8.5	12	20	57.20	6	378.00	231.10
10 - 20	18.2	31	76	111.32	34	512.25	428.15
20 - 30	23.9	26	68	151.10	24	603.10	798.20
30 and above	37.6	16	64	210.50	38	587.77	655.25
Total	22.2	85	228	134.52	102	535.30	556.27

Notes : 1 Table excludes camels (8 in 1964-65 and 3 in 1973-74) used for ploughing.
2 Expenses on tractor hiring have also been imputed in the case of tractor owners.

having own bullocks — following tractorisation — in the village.

Tendency:

While some small farmers have taken advantage of the bullock cart hiring system, many of them have lost due to the changed circumstances of the land market within the village. Their share in the lands available on lease/share-cropping has declined, from 55 to 11 per cent as at the two points of time. It is significant that the tractor owners now account for more than 76 per cent of the land taken on lease/share-cropping (see Table 8, section B). Of course, the extent of 'tenancy' has thus increased largely because of customer service as indicated earlier.

Ecological Damage?

A serious, long-term, consequence of tractorisation could be in terms of ecological disturbance in the region. Native vegetation, trees, and bushes like *Zizyphus Nummilaria* in the fields have been the biggest victims of tractor cultivation.[16] How this process would influence soil conditions and water balance in the area is difficult to say for want of adequate data. It may be noted, however, that the yield of *Pala* (a fodder from Zizyphus Nummilaria) and also fencing material has considerably declined in the plots regularly ploughed by tractors (Table 8, section F).[17] This is certain indication of natural resource depletion in an area characterised by a very delicate ecological equilibrium.

Notes

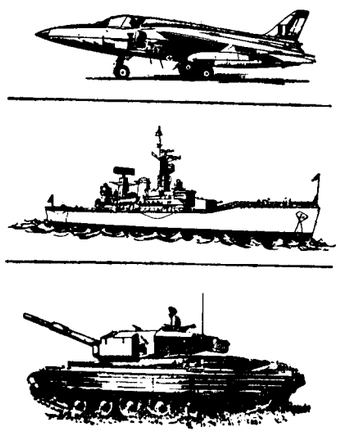
1 See, for instance, the following studies:
(i) Indian Society of Agricultural Economics, 'Seminar on Problems of Mechanisation, Seminar Series No IX, Bombay, 1972.
(ii) A E Deutsch, 'Tractor Dilemma for Developing Countries', *World Crops*, Vol XXIV (5), 1972.
(iii) M H Billings and A Singh, 'Mechanisation and Rural Employment with some Implications for Rural Income Distribution', *Economic and Political Weekly* (Review of Agriculture), Volume V (26), June 27, 1970.
(iv) C H Gotsch, 'Tractor Mechanisation and Rural Development in Pakistan', *International Labour Review*, Volume C VII (2) February 1973.
(v) A Singh and M H Billings, 'The Effect of Technology on Farm Employment in Two Indian States' (in "Employment and Unemployment Problems of Rear East and South East Asia", editors R G Ridker and H Lubell, Volume II, Vikas, 1972.
(vi) C H Hanumantha Rao, 'Farm Mechanisation in Labour Abundant Economy', *Economic and Political Weekly*, Volume VII (Annual) February 1972.
2 For further details see Government of Rajasthan (Special Schemes Organisation), Project Report — Drought Proofing Nagaur District, Jaipur, 1973 (Mimeo). The report has been submitted to the World Bank, as Nagaur is one of the six districts in India proposed under DPAP for Bank finance.
3 The area is the birth place of famous Nagauri bullocks, but in recent years sheep raising has become more important than cattle raising, both because of shrinking grazing space for cattle (and not so much for sheep) and fall in demand for Nagauri bullocks in their traditional export areas of Punjab, Haryana, and Western UP, due largely to mechanisation and electrification in those regions.
4 N S Jodha, "Capital Farmation in Arid Agriculture" — (A study of Resource Conservation and Reclamation Measures applied to Arid Agriculture), Ph D Thesis, University of Jodhpur, 1967.
5 Data for the second period were collected more out of curiosity rather than out of a desire for

TABLE 6: DETAILS ABOUT THE FORMS IN WHICH TRACTOR HIRING CHARGES WERE RECEIVED

Average gross earning per tractor * (Rs)	0/0 share of the following in (1)							
	cash	food grain	Fooder	Fuel Wood	Manure	Labour	Land lease/ share cropping	Others
1	2	3	4	5	6	7	8	9
7050	41.7	7.3	14.6	3.6	2.1	13.4	15.5	1.8

Notes : * 1. The data relate to 12 tractors in village 'A' of Table 1 most of which were 1 to 6 year old Massy Ferguson. 35 horsepower tractors. Earning estimates are based on recovery details aulled out from the records of and discussions with the tractor operators.
2. Rates of hiring tractor differ from operation to operation. During cultivating season per hour charges ranged between Rs 20 and 35. During off season it was as low as Rs 12 per hour.

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TABLE 7: DETAILS OF PURPOSE-WISE UTILISATION OF TRACTORS

Average Extent of Use* (10 hour-days)	Percentage Shares of the Following in (1)						
	Own Cultivation etc	Custom Service (cultivation) in :			Transport/ Marketing	Contract Job on Public Works, etc	Others
		Own Village	Other Village	Other Districts			
1	2	3	4	5	6	7	8
288	27.2	18.6	28.3	6.5	9.7	7.5	2.2

Notes : – Actua number of days and hours of work varied from season to season. This figure has been arrived at by adding total. work hours during the year and dividing it by ten.

some systematic resurvey. Initial interest in tractorisation was confined to one hypothesis, viz, that tractor cultivation by destroying *Zizyphus Nummularia* (bordi) roots accentuates the process of soil erosion and deprives the farmre of an important source of fodder available even during the drought years. In the absence of benchmark data for comparison the matter ended in 1965-66 itself. During one of the subsequent visits to the area (in 1968-69) it was thought of having some comparable data. Arrangements were accordingly made in some of the villages for the same. In 1972-73 and 1973-74 data from remaining villages were also collected. The data collected threw much more light on several aspects of tractorisation besides resource erosion effects. This paper summarises them. Incidentally, 1964-65 and 1973-74 for which data are presented in the paper were two of the best crop years for the *suhalag* villages and the years immediately preceeding each of them had mild drought conditions.

6 He was an army driver in Jodhpur state forces. He lost his land during land reforms because being in army it was not possible for him to be an owner operator of the land as required by the land reforms legislation. He lost his job because he could not be absorbed in the Indian army as the time of reorganisation of state forces. Deprived of both land and army job, he worked for some period as a driver for a *Marwari* businessman in Assam, who helped him to get a tractor later.

7 While referring to the contribution of public funds in tractorisation in this area some additional facts may be mentioned. Jayal Tehsil possesses nearly 30 per cent of the tractors in the Nagaur district. Nearly 90 per cent of the tractor owners are Jats. Nagaur is predominantly a Jat district and has been represented by one to three ministers in the state cabinet until 1971.

8 Low yields are mainly due to poor germination, poor crop stand of the late sown crops and dessicating winds (known as *Jhola* during mid-September to October which adversely affect the late sown crops at their seed farmation stage.

9 In fact, the sale of fodder is only a partial indicator of the fodder rendered surplus by a decline in the number of bullocks. Other indications are: increase in the number of milking cows and buffaloes (besides the newly acquired red dindhi cows) — from 102 in

TABLE 8: IMPACT OF TRACTORISATION — SOME RELEVANT INDICATORS OF CHANGE IN ONE OF THE SELECTED VILLAGES*

Details	1964-65	1973-74
A. Land use intensity :		
1. Old fallow as 0/0 of cultivable land	21.6	9.3
2. Current fallow as 0/0 of cultivable land	13.2	4.7
3. Net sown area of 0/0 of cultivable land	65.2	86.0
B. Tenancy :		
1. Total area under lease/share cropping (Acres)	173.5	322.7
2. 0/0 share of small farmers (less than 1 to 10 Acres) in receiving [1]	54.8	11.2
3. 0/0 share of tractor owners in receiving [1]	—	76.5
C. Bullock power/tractors.		
1. Number of tractors	1	12
2. Number of working bullocks	228	102
3. Number of small farmers operating bullock-cart custom-service.	—	6
D. Wage rates for farm operations (Rs. per day) [1]		
1. Field cleaning etc.,	1.50	2.0
2. Ploughing (2)	5.00	8.00
3. Weeding	1.50	3.50
4. Harvesting (bajra/jowar)	2.00	5.55
5. Harvesting sesamum	3.00	7.00
6. Harvesting pulse crops and fodder.	1.50	4.00
E. Fodder marketing:		
1. 0/0 of farmers who marketed fodder.	18.9	100.0
2. Price of fodder :		
a) bajra stalk (Rs./per 400 bundles) [3]	8.00	60.00
b) jowar stalk (Rs./per 400 bundles)	25.00	100.00
c) jowar *cheepta* [4] (Rs/per 400 bundles)	80.00	200.00
d) Fine (leaf) fodder of pulses (Rs/qnt)	15.00	40.00
e) *Pala*-bordi bush fodder (Rs/qnt)	12.00	30.00
F. Yield of Pala (Qnt/acre) in selected Plots [5]	160	40

Notes : * The table illustrates the situation in Village "A". of Table 1.

1. Wage rates indicated are for male workers. Female workers employed for the operations (other than ploughing) received one to two rupees less than the male workers. These rates excludes perquisites like tea, tobacco, etc, given to the workers.
2. Ploughmen are normally engaged on ploughing season basis.
3. Weight of a bundle is normally 1½ Kgs.
4. *Cheepta* is jowar stalks, cut in green form before grain formation stage of the crop.
5. Data of *Pala* (zizyphus nummularia) relates to 25 plots where regular tractor ploughing during last 8-10 years has destroyed the roots of the bush. (See footnote 5).

1964-65 to 173 in 1973-74; increased extent of marketing of milk (facilitated partly by stall feeding of milking animals) from nil in 1964-65 to nearly 80 litres a day in 1973-74.

10 The author had occasions to witness a similar phenomenon in Gujarat, where the big farmers who sold water to small farmers, also tried to help the latter through credit, etc, so that their (big farmers) dues were not deferred by the poor harvest. This type of informal arrangements (if happening at macro level) may easily conceal the substantial increase in demand for credit, because the increased credit demand will not be reflected in the acounts of formal channels of farm credit.

11 In the selected villages during last 10 years, there have been only three cases where the tractor owners have been completely ruined by the tractor hiring business and have failed to repay LDB loans. All the three had substantial lands (above 80 acres) but cultivation was their only source of income; which in turn failed to offer adequate cushion for sustaining the tractor-business during scarcity years. Another reason for their failure is said to be the engagement of hired drivers. Practically all the successful tractor owners in this area have their own family members to operate the machine. These are normally not formally educated but can manage their own accounts, etc.

12 The details of Table 9 show the changing situation in one village, which should be understood only as an illustration of the broad situation obtaining in the whole area where tractorisation has become a real force of change.

13 More direct indication of increased demand for labour is given by a new system which has developed in the area. In the concerned village, for example, the enterprising farmers (including tractor owners) bring teams of farm workers from distant villages (where due to poor rains, etc, labour is readily available) during harvesting season. This contract labour is then made available to every farmer on payment. Labourers from neighbouring towns are also brought by tractor owners.

14 Increase in the wage for sesamum harvesting is highest. Area under the crop has increased from 20 per cent to 30 per cent of the cropped area during the period under consideration. To ensure good harvest this crop requires to be sown during early period after the rains and tractors have facilitated this process. Moreover, once ripe, the harvesting of the crop can be delayed only at great loss. This explains the big rise in the wage rate for the operation.

15 The only occasions when trucks visited this village in the past were when wool traders came to village for collecting wool, or when men came from charity organisations, or when government relief departments came to purchase stocked fodder from the village to be distributed in scarcity affected villages in other parts of the state.

16 In some of the areas, vegetation-wise, the face of villages has changed beyond recognition. Tractors not only encourage removal of trees within the field and shelter belts (known as *Matt*) on the field borders to facilitate field operations but they also offer ready facility for marketing the log for fuel to the towns.

17 See footnote 5 also.

18 N S Jodha 'A Strategy for Dry Land Agriculture' *Economic and Political Weekly*, Volume VII (13), Review of Agriculture, March 25, 1972.

Tractorisation and Changes in Factor Inputs

A Case Study of Punjab

Kusum Chopra

Important among the effects of the much-talked-about 'green revolution' in Punjab has been the mechanisation of farming and the consequent changes in factor inputs, particularly in labour input.

Among the forms of mechanisation in Punjab's agrarian economy, tractors occupy a very important place. Punjab accounted for over 20 per cent of the country's total tractor population in 1970-71.

To study the various aspects of tractorisation in Punjab, a field survey was conducted covering 13 villages and 130 tractor-owning households in three districts—Hoshiarpur, Ludhiana and Ferozepur. Some of the results of the survey are presented here.

THE much talked about Green Revolution — brought about mainly by the breakthrough in seeds — has had several other far-reaching effects. Important among these, in Punjab, has been the adoption of mechanised means. As this state adopts mechanisation in agriculture, the consequent changes in factor inputs — particularly in the labour input — become important for enquiry.

Among the forms of mechanisation introduced in Punjab's agrarian economy, tractors occupy a very important place. In 1970-71, over 20,000 tractors — forming more than 20 per cent of India's tractor population — were operating in this region. To study the various aspects of this tractorisation, a field survey was conducted covering 13 villages and 130 tractor-owning households in three districts of Punjab. The three districts were Hoshiarpur, Ludhiana, and Ferozepur,[1] and the sample was taken from five blocks in these three districts.

Village Characteristics

By way of a general introduction to the selected villages, Table 1 puts our village data in a particular perspective. Besides the background depicted in the Table, a broad description of the various blocks and villages may not be given to start with.

In Hoshiarpur, Block I. in the cluster of four villages,[2] less than 50 per cent of the cropped area is irrigated. Though this zone constitutes the sub-mountainous region of Punjab, the area covered in this study is the flat part of this zone. The main rabi crops, on the irrigated and the unirrigated tracts of land, are wheat and wheat-gram, respectively. For the kharif season, unirrigated maize is the most popularly sown crop. The tractor owners in these villages formed about 6.5 per cent of the total number of cultivating families in the villages.

Out of the 'net cultivated', 'total cropped', and 'net irrigated' areas of Punjab, Ludhiana district accounts for 7.8, 8.72, and 8.26 per cent, respectively. the Sidhwan Bet block accounts for 11.33, 10.11 and 12.32 per cent, respectively, of the above-mentioned area categories of the district, and the Mangat block for 11.55, 9.41, and 10.24 per cent respectively. In Sidhwan Bet block, as may be noticed from Table 1 also, village Galib Kalan is the only village where the'net irrigated' area is 100 per cent of the 'net cultivated' area. Villages Sherpur Kalan and Sherpur Khurd, together, have about 90 per cent of the net cultivated area irrigated by the different sources; villages Sowaddi Khurd and Leelan, on the other hand, have a relatively low figure for irrigated area compared to net cultivated area of these villages. The main crops of this block are wheat, groundnut, maize and desi cotton. Although wheat has the largest area under it in absolute terms in each of the sampled VLW circles, maize accounts for relatively more of the entire block's acreage under maize, followed by wheat and cotton crops. Of the cultivating families in the villages, the tractor-owning families form 25, 20.43 and 10.46 per cent, respectively, in Galib Kalan, Sowaddi Khurd (and Leelan), and Sherpur Kalan (and Sherpur Khurd). In Ladian Kalan (and Ladian Khurd), Nurpur Bet and Bagga Khurd, they form 33.33, 8, and 45 per cent, respectively. The main sources of irrigation are tubewells followed by canals in Sidhwan Bet block, and tubewells in Mangat block. In the latter block, next only to wheat, groundnut figures importantly in the block's area under various crops. The VLW circle and village Nurpur Bet contribute more to the block's acreage under sugarcane and cotton, whereas VLW circle Ladian Kalan account for a relatively larger share with respect to paddy and toria.

Moga I block lies on the eastern side of Ferozepur district, and Abohar block on the western side. The soil and climatic conditions are different in these two. Wheat is grown in both blocks, but while it is the main crop in Moga I block, in Abohar block American cotton is the main crop followed closely by wheat. In Moga I block, most of the cotton grown is of the local variety. Desi cotton and maize in the two VLW circles of Ajitwal and Kokri Kalan have a relatively larger share of the block's acreage under these crops. It is encouraging to see that both, Kokri Kalan and Ajitwal, villages have a high percentage of net irrigated area. The number of tractors in these villages is also fairly large, but when the tractor owners are compared to the total number of cultivating families in these villages, the percentage is, by far, the highest in village Dauhdar, at 27.86; followed by 9.18 and 8.25 per cent in villages Ajitwal and Kokri Kalan, respectively.

In villages Gobindgarh, Kala Tibba and Khubban of Abohar block, according to available information, 7.14, 8, and 12 per cent respectively, of the cultivating families, own tractors. The net irrigated area in Abohar block forms approximately 60 per cent of the cultivated area. Canal water is the main source of irrigation here and, since the ground water level here is low, boring tube-wells is an expensive proposition.

Other Characteristics

Almost all the villages of this survey are well connected with roads. They fall either on direct bus routes or within a radius of one mile from the metalled road. Ownership of tractors has made the sample farmers more mobile and their possibilities of interacting with the world outside the village larger.

Ownership of land in Punjab rests mostly with the Jat-Sikhs. In our sample, out of the 120 farmers who

TABLE 1: VILLAGES IN PERSPECTIVE — I

(Population (No) and Area (Acres) in Thousands)

	Population	No of Cultivating Families	Geographical Area (in acres)	Cultivated Area (Acres)	Cropped Area (Acres)	Net Irrigated Area (Acres)	Gross Irrigated Area (Acres)	No of Tractors	No of Diesel Engines	No of Electric Motors
*Punjab State**	8567.76	—	12443.86	9946.69	13646.75	7017.27	10092.42	—	—	—
District Hoshiarpur	776.54	—	978.12**	595.27	815.10	127.95	299.61	—	—	—
Block Hoshiarpur I	84.67	7200	87.23	54.96	87.07	—	37.51	280	71	1202
VLW Circle Pajodeota	9.59	1100	8.20	7.38	12.62	—	6.03	61	—	154
Villages Pajodeota +N Chaur+Ahar +Koont	3.25	305	2.21	1.99	3.31	—	1.44	20	36	57
District Ludhiana	784.39	—	933.66**	755.58	1190.54	579.71	988.74	—	—	—
Block Sidhwan Bet	62.05	3923	104.46	87.86	120.37	71.40	—	374	3636	210
VLW Sowaddikhurd	5.72	—	5.93	5.40	6.74	2.61	—	37	165	43
Village Sowaddi Khurd+Leelan	2.75	137	2.93	2.70	3.00	1.00	—	28	81	32
VLW Sherpur Kalan	7.01	—	6.50	5.91	7.97	5.09	—	26	256	18
Village Sherpur Kalan+Sherpur Khurd	4.21	153	3.53	3.24	4.19	—	—	16	107	11
VLW Galib Kalan	5.83	—	6.16	5.62	7.62	5.52	—	—	288	18
Village Galib Kalan	4.39	180	5.35	4.87	6.69	4.87	—	45	140	11
Block Mangat	74.45	4226	135.93	89.55	112.02	59.38	—	444	1855	795
VLW Ladian Kalan	2.62	250	6.74	—	7.28	—	7.13	40	—	63
Village Ladian Kalan +Ladian Khurd	.48	42	1.24	1.02	—	—	—	14	17	20
Village Bagga Khurd	.17	20	.62	.45	—	—	—	12	9	15
VLW Narpur Bet	2.21	769	10.49	—	8.68	—	8.35	36	—	127
Village Nurpur Bet	1.07	150	3.20	1.93	2.41	—	2.32	12	31	9

* Statistical abstract of Punjab 1970 (Issued by : The Economic Adviser to Government of Punjab. Chandigarh pp 11,58, 63-65. Population of Punjab and of Districts is only Rural Population and it relates to 1961 census. Most of the other data relates to 1969-70.

** Total area according to village papers.
Some of the village data are gathered from the Patwaris and from the Agriculture Inspectors.

VILLAGES IN PERSPECTIVE — II

(Population (No) and Area (Acres) in Thousands)

	Population	No of Cultivating Families	Geographical Area (in acres)	Cultivated Area (Acres)	Cropped Area (Acres)	Net Irrigated Area (Acres)	Gross Irrigated Area (Acres)	No of Tractors	No of Diesel Engines	No of Electric Motors
District Ferozepur	1288.09	—	2494.70*	2045.16	2603.38	1559.56	2105.67	—	—	—
Block Moga	76.33	2950	86.69	85.49	112.02	59.38	—	514	730	750
VLW Ajitwal	10.55	496	8.90	7.61	8.91	5.94	—	38	303	196
Village Ajitwal	2.96	196	3.08	2.52	2.67	2.37	—	18	85	101
VLW Kokri Kalan	7.56	404	10.33	8.12	9.44	7.85	—	33	123	264
Village Kokri Kalan	3.50	303	1.04	6.37	8.37	6.30	—	25	105	243
VLW Dauhdar	7.68	323	8.18	8.13	—	5.72	—	90	101	23
Village Dauhdar	7.68	323	8.18	8.13	—	5.72	—	90	101	23
Block Abohar	75.23	—	—	—	—	—	—	252	23	18
VLW Dharangwala	—	—	—	11.66	12.30	—	—	—	—	—
Village Gobindgarh	2.70	210	4.47	4.17	5.25	—	3.24	15	2	3
VLW Rajjanwali	—	—	—	—	—	—	—	—	—	—
Village Kala Tibba	3.00	200	—	3.00	4.00	2.5	—	16	—	—
VLW Khubban	—	—	—	—	—	—	—	—	—	—
Village Khubban	4.00	250	—	4.00	4.00	3.5	—	30	—	—

* Total area according to village papers.

Notes: Figures of Abohar block, VLW circles and villages are not reliable. The ones given here are gathered from the Block office and from the Agriculture Inspector.

TABLE 2: AREA (IN ACRES) AND PIECES PER REPORTED TRACTOR HOLDING BEFORE AND AFTER CONSOLIDATION

Holding Size	Area per Piece		No of Pieces	
	Before	After	Before	After
0-15	1.72	4.61	5.80	2.10
15-30	2.53	10.10	8.64	2.16
30-45	13.60	16.54	2.60	2.17
45-60	10.42	26.69	4.75	1.85
60-75	6.36	23.27	10.25	2.75
75-100	16.72	30.62	4.83	2.66
100-125	12.61	39.00	8.50	2.75
125-150	34.25	34.25	4.00	4.00
150 and above	22.57	60.20	9.33	3.33

Note : Significant decreases in the number of fragments per holding are seen in 15-30, 60-75, 100-125 and 150 and above holding classifications.

TABLE 3: NET IRRIGATED AREA (IN ACRES) IN TRACTOR HOLDINGS

Holding Size	Net Irrigated Area as a Percentage of Operated Area	
	Before	After
0-15	86.13	100.00
15-30	88.37	96.62
30-45	89.72	97.86
45-60	64.67	99.24
60-75	77.31	93.76
75-100	57.19	91.84
100-125	49.65	71.30
125-150	100.00	100.00
150 and above	58.80	78.94
Average for all holdings	76.29	91.92

reported their caste, 94 were Jat-Sikhs, 8 non-Jat-Sikhs, and others non-Sikhs. The source of rural tensions is not always caste. It may be a grouse between families, or competition for power or economic inputs. Abohar block, for instance, is mostly irrigated by canal water and since water is a scarce commodity, in many cases, rural tensions mount when some farmers try to steal water from others. Many of the big landlords keep an armed guard to facilitate proper utilisation of the water turn and the irrigation channels. In addition, in parts of Moga block, and also in other neighbouring blocks, tension had mounted during the years of the survey, because of the activities of young radicals. Command of authority within the village is determined either by how much land one owns — which often brings with it control over the operations of the panchayats or the co-operative societies — it depends on how much political influence a group can exert through the political party in power for whom its support may be important. In the socio-economic hierarchy, ownership of tractors has become an important matter of prestige among farmers. Some of them remarked that it makes it easier for them to get bridegrooms for their daughters.

Consolidation of holdings has, of course, been one of the prerequisites of tractor use and purchase. Table 2 shows that there has been a significant increase in the average area per fragment in each size of holding — or a significant *decrease* in the *number of pieces per holding*.

Introduction of high yielding varieties, fertilisers, and increased irrigational facilities, has also affected the demand for tractors in the villages. It is rare for our sampled farmers not to use chemical fertilisers, for one or more crops in a year. Table 3 shows an increase in the net irrigated area as a percentage of the operated area in various sized holdings. Of a total operated area of 5,648 acres, tractors have helped irrigate 376 acres. On the whole, both the average net and average gross irrigated areas show an increase, of 33.32 and 46.31 per cent respectively, when compared to before tractor utilisation.

None of our respondents seems to have lost much land as a result of the operative ceiling on holdings. The big landlords had transferred the titles in anticipation of the ceilings: Some permanent hired labourers have the titles under their names; obviously they cannot hold the effective reins since the landlords command the authoritative and financial power in the village — and are still able to exert moral pressures too.

Although loan facilities have increased the last few years, they are still insufficient, in relation to the demand in the villages. Most finance for tractor purchase is still provided out of own savings of farmers constituting 72.72 per cent of the total finance of all respondents in this study. However, the role of the agencies in this sphere is changing. Village money-lenders do assume an important role, but their role is threatened by the land mortgage banks, commercial banks, and co-operatives. In our sample, money-lenders supplied 8.5 per cent of the finance for tractor purchase, 7.7 per cent came from the land mortgage banks, and all the other sources put together accounted for 11.08 per cent only. If credit were more easily available, an increasing number of farmers are keen to take loans; if given on long-term basis, and at reasonable rates, several other farmers would want to purchase tractors.

TRACTOR OWNERSHIP PATTERN

Considering the ownership of tractors, according to various classifications of holding (see Table 4), the highest number of holdings with tractors fall in the range of 15-30 acres of operated area. The two classifications — 15-30 acers and 30-45 acres — together account for about 63.08 per cent of the owned tractors in the present survey.

TABLE 4: DISTRIBUTION OF TRACTORS ACCORDING TO THE SIZE OF THE OPERATED HOLDING (IN ACRES) AND THE TRACTOR HP*

Holding Size	No of Holdings	Percentage of Holdings	14 HP	20-25 HP	27-30 HP	32-37 HP	42-47 HP	50 HP and above
0-15	10	7.71	6	—	1	3	—	—
15-30	47	36.15	8	10	3	24	—	2
30-45	35	26.93	6	9	4	12	2	2
45-60	13	10.00	—	3	—	10	—	—
60-75	8	6.15	—	2	2	2	1	1
75-100	6	4.61	—	—	2	3	—	1
100-125	5	3.84	—	—	1	4	—	—
125-150	2	1 54	—	—	—	1	—	1
150 and above	4	3.07	—	—	—	—	—	4
Total	130	100.00	20	24	13	59	3	11
Different Tractors as a percentage of total :	100.00	—	15.38	18.46	10.00	45.40	2.30	8.46

* The division of the tractor Horse power includes both the upper and the lower limit in that classification, whereas the holdings' size does not include the ceiling, i e, 0.15 means 0-14.99 and so on.

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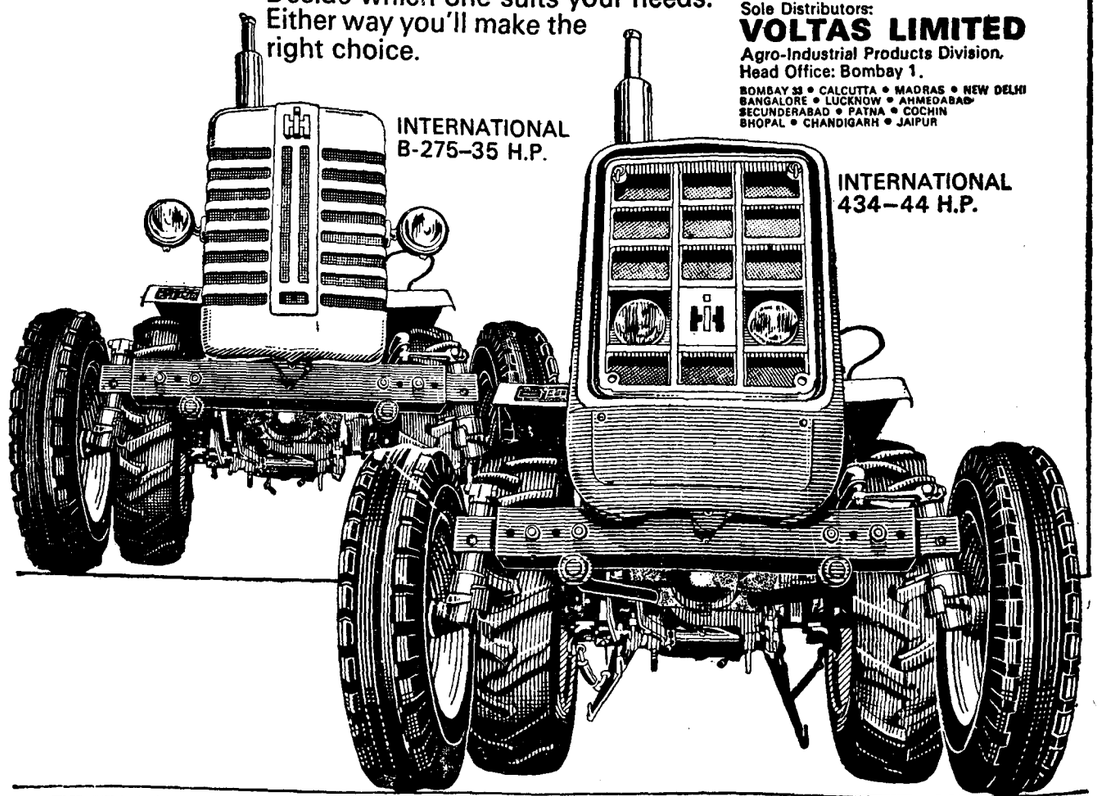
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INTERNATIONAL TRACTORS WORK HARDER, WORK LONGER

Owership of 31-37 HP tractors has been the highest among the sampled farmers. Except for the 0-15 acre holders who popularly possessed the smaller DT 14 tractors, in most other holdings groups the 35-37 HP tractor is popular, and in the relatively larger holdings the farmers own the larger 50 HP tractors. Some of the farmers, with relatively small holdings, indicated a desire to buy smaller HP tractors, but since a buyer's market does not exist in tractors, farmers do not usually have a choice regarding the purchase of a particular make or HP of tractor as and when desired by them: It is more of a question of availability rather than of choice.

From the view point of literacy standards, more educated farmers were on the whole to own tractors. For comparative purposes, 78 bullock-owners were also surveyed in the 13 sample villages. Both among tractor owners and non-owners, the highest percentage was formed of illiterates.

In all, 35.8 per cent of the owners and 15.38 per cent of the non-owners hold degrees, however. Farmers with degrees are thus found to be significantly more interested in mechanising their farms.

Joint families are still the rule. A little more than 69 per cent of the tractor-owners have joint families. It was also noted that 53 per cent of the tractors are used on operated area which happens to be a joint holding. This is partly also because the machine's potential can be more effeetively used on larger tracts of land, and it is easier besides to finance the purchase of the machine by pooling resources together than otherwise.

Land Ownership Pattern and Factor Proportions

Several factors are responsible for deciding whether or not there is an incentive to invest in an economic asset. In case of tractor purchase, the incentive came partly in the form of the demonstration effect on villagers via some private or governmental agency and partly via a more general economic, social and technical change. It is difficult to decide which particular factor, or which particular type of change, are decisive influences; because most of them are introduced or are accepted at a stage of development when people are already more attuned to accept change and to be instrumental in further diffusing that change. A capital investment, bringing about social, ecoomic and technical change or being incurred as a result of these, brings about a reshuffling of the factor inputs too. In our sample, the *additional* investment made per holding and per acre on mechanisation *after* tractor purchase is shown in Table 6.

As the size of the holding increases, the investment per acre declines. However, the investment per holding on the largest sized holdings is twice as much as on the smallest sized holdings. The larger holdings, therefore, are more capital-intensive, though the investment per acre is seen to be higher in the relatively smaller holdings.

The average operational, owned, and cropped areas of the sample tractor-owners were 43.44, 39.45, and 52.5 acres, respectively; the respective averages of the non-owners are 21.67, 18.92 and 27.54 acres. The tractor-owning farmers operate nearly twice as much area as those farmers who own bullocks. Even compared to before the tractors were purchased by the present owners, on an average nearly 4 acres have been added to the operated area. A percentage increase of 2.71, 10.65 and 36.60, respectively, in the tractor-owners' own, operated, and cropped, area is seen as compared to before. Obviously, a tractor commands more acreage and assumes an important role in getting all the operations done at appropriate times for more than one crop each year.

Another interesting observation is that, at present, owned area forms 90.81 per cent of operated area, whereas formerly, it formed 97 per cent of the operated area. It may be concluded, therefore, that more acreage is taken on lease now and increasing numbers of holdings are leasing in land to benefit from the economies of scale. Previously, more holdings in the 15-30 acre group 'rented in' land; now an increasing number of holdings doing so lie in the 30-75 acre range since a tractor can operate rather larger acreages. It is also obvious from the data that more changes are brought about in the 'cropped' area — signifying that the pattern of land utilisation has changed for the better and that the farmers are now growing more crops in a year. This fact is further clarified by the intensity of cropping as shown in Table 8.

The intensity of cropping remains high in the smaller sized holdings. However, a change at least relative to before, is noticeable in the larger sized holdings after they have purchased tractors. A minimum of change exists in the 0-15 acre holdings, because the level of intensity was already fairly high in this group compared to the other groups. The increase in average intensity, for all the holdings put together, is 16 per cent; the calculated intensity at present is a little over 140. The extent of irrigation, of course, plays an important part too

Table 5: Level of Literacy of Tractor and Bullock Owning Respondents

Level of literacy	Owners No	Percentage	Non-Owners No	Percentage
Illiterate	33	25.39	32	41.02
Primary	21	16.15	9	11.54
Middle	25	19.23	16	20.51
Matric	29	22.31	8	10.26
Intermediate	9	6.92	3	3.84
BA and above	8	6.15	1	1.28
Not available	5	3.85	9	11.54
Total	130	100.00	78	100.00

Table 6: Average Investment on Tractors, Their Implements and Accessories, Tubewells and other Mechanised Items after the Tractor Purchase

(In Rupees)

Holding Size	Investment per Holding	Investment per Acre
0-15	16968.00	1396.54
15-30	22837.21	1014.04
30-45	24819.16	707.82
45-60	27761.54	552.05
60-75	30827.50	473.37
75-100	28199.99	345.30
100-125	22265.00	208.08
125-150	30600.00	223.35
150 and above	32775.00	170.93
Average	24554.2	565.18

TABLE 7: AVERAGE OWNED, OPERATED AND CROPPED AREA UNDER TRACTORS

(in Acres)

Holding Size	No of Holdings	Before			No. of Holdings	After		
		Owned Area	Operated Area	Cropped Area		Owned Area	Operated Area	Cropped Area
0-15	14	13.25	11.32	17.57	10	12.75	12.15	20.17
15-30	56	19.90	21.25	28.04	47	20.25	22.52	34.50
30-45	33	35.36	35.12	40.89	35	30.35	35.06	50.16
45-60	6	45.86	49.54	57.91	13	43.90	50.28	68.35
60-75	6	57.00	65.00	55.42	8	51.87	65.12	73.66
75-100	5	82.00	82.00	73.90	6	81.66	81.66	94.75
100-125	4	107.25	107.25	47.00	5	94.20	107.00	82.00
125-150	2	137.00	137.00	93.00	2	137.00	137.00	104.00
150 and above	4	191.75	191.75	104.25	4	191.75	191.75	145.25
Average for all holdings		38.41	39.26	38.50		39.45	43.44	52.58
Each as a percentage of owned area		100.00	102.21	100.23		100.00	110.11	133.08
Each as a percentage of operated area		97.83	100.00	98.76		90.81	100.70	120 86

TABLE 8: INTENSITY OF CROPPING PER TRACTOR HOLDING BEFORE AND AFTER

Holding Size	Intensity Before	Intensity After	Percentage Change from Before
0-15	153.39	166.29	+ 8.4
15-30	133.48	155.13	+ 16.22
30-45	116.63	143.57	+ 23.09
45-60	117.08	137.07	+ 17.07
60-75	85.13	112.49	+ 32.14
75-100	79.81	115.98	+ 45.32
100-125	43.70	76.94	+ 76.06
125-150	67.78	86.27	+ 27.28
150 and above	52.53	78.63	+ 49.68
Average for all holdings	120.03	140.22	+ 15.99

in determining the cropping intensity. To exclude the impact of irrigational facilities from that of tractorisation, 52 holdings with constant operated and constant net irrigated area, for before and after, were selected — which also indicated a 13 per cent change in the intensity of cropping brought about by the use of tractors.

Among the other inputs in land, labour has been the most talked about; economists and policy-makers would be deeply concerned if mechanisation were seen to displace labour. The emphasis has always been on creating more opportunities for rural employment along with on increasing productivity. Since introduction of tractors and HYVs has brought relatively *larger tracts* under agricultural operations as well as *more crops* within the span of a year, our sample shown an increase in the employment of labour at the macro as well as at the micro levels. It is not always true, therefore, that mechanisation leads to displacement of labour.

What is more important to investigate is the adopted *level* of mechanisation, the *operations* it performs, and the particular *impact* it is likely to have in a region. The changes brought about in labour are studied under three separate groups — family labour, permanent hired labour, and casual labour.

Since the main task undertaken by tractors is seed-bed preparation (on which nearly 50 per cent of their operated time is spent), tractor-use has affected the permanent hired labour which used to perform this function. However, the extent of the hired labour's release is not too great.

Another sub-group, known as 'skilled labour', has had more jobs created for it not only in the non-agrarian sector—as for instance, in manufacturing or a sembling of tractors, tractor-parts, implements, and accessories, or in various repair workshops — but also in the agrarian sector itself. Tractor operators and mechanics are hired to operate as well as to look after the machine. However, hiring of operators, is not very popular in all the blocks in our study — except in Abohar block, where holdings are mostly large and most farmers prefer to stay in nearby towns for enjoying better amenities.

This has also led to an increase among them of the practice of hiring casual labour. In this area, during the last few years, with the in-coming of tractors, farmers have undertaken levelling of land in order to use it for cotton-growing since cotton is an important cash crop and is labour-intensive. Many farmers also reported that, since canal irrigation is the only possible one there, their turn to irrigate the fields would be wasted if certain necessary operations are not performed by the tractor at and within the appropriate time. However, extended area (irrigated and non-irrigated, introduction of HVYs, and application of fertilisers, have certainly led to extended cropped acreage as well as to higher intensity of cropping and higher yields: Together, these have thus raised the demand for labour. In the above mentioned block, female casual labour has recorded a particular increase, because female labour is mainly engaged in cotton-picking and as larger tracts are covered by this crop, more women are employed. On the whole, in Punjab, and especially in our sample villages, female casual labour was 30 to 40 per cent of male casual labour; in some holding groups it has higher employment than men, primarily in cotton picking, rice-planting, vegetable picking, and other special crop operations. Harvesting is the other operation for which female labour is now employed; however it does not exceed 20 to 30 per cent of the labour employed in this.

The details of family labour, permanent hired labour, and casual labour per tractor-holding, may be seen in Tables 9 and 10. As compared to the position before, more family labour is now employed in most holdings. The increase over the earlier situation is much greater for the males, working full-time and part-time,[4] for females, Family labour, however, shows a decline on the smaller holdings groups; but on farms, on the whole, more members of the family are now returning to be farmers and several others are entering as part-time workers. With partial mechanisation of the farms, moreover, it is no longer as irksome, for those who also have other off-farm jobs or are students, to assist in the farm work.

The permanent hired labour in Table 9, shows a slight decline. As was mentioned earlier, seed-bed preparation

TABLE 9: FAMILY LABOUR AND PERMANENT HIRED LABOUR PER TRACTOR HOLDING

(in Number)

Holding Size	Family Labour						Permanent Hired (excluding hired) Tractor Operators	
	Before			After				
	Full-time Males	Part-time Males	Part-time Females	Full-time Males	Part-time Males	Part-time Males	Before	After
0-15	2.70	.43	1.90	21.0	.50	1.00	.85	.80
15-30	2.55	.10	1.42	2.42	.45	1.70	1 16	1.12
30-45	1.91	.24	.83	2 54	.20	1.22	2 04	1.98
45-60	1.30	—	.70	3.07	.61	1.69	1 80	2.54
60-75	1.00	.50	.87	1.38	1.12	.87	4.83	3 62
75-100	1.33	.40	.50	1.83	.33	.83	4.20	3.83
100-125	1.00	.50	1.20	2 20	1.00	1 60	3 50	2 80
125-150	1.00	—	1 00	1.50	—	1.00	12 00	8.00
150 and above	1.00	.25	.75	1.00	.50	.75	10 25	6.50
Average	1.98	.21	1.10	2.39	.45	1.30	2.19	2.08
Average for hired operated								0 27

TABLE 10: CASUAL LABOUR PER REPORTED TRACTOR HOLDING (IN MAN DAYS)

Holding Size	Before		After		Average Change per Acre	
	Males	Females	Males	Females	Males (in Man-days)	Females
0-15	123.48	36.50	187.38	76.92	+5.26	+3.33
15-30	206.07	56.81	269.74	83.29	+2.83	+1.17
30-45	432.80	98.98	496.53	158 37	+1.82	+1.70
45-60	407.80	97.80	536.90	187.48	+2.57	+1.78
60-75	230.60	380.12	317.50	527.20	+1.33	+2.26
75-100	631.22	230.58	721.85	393.81	+1.11	+1.99
100-125	401.70	332.90	432.58	508.62	+0.29	+1.64
125-150	394.00	482.00	421.50	679–50	+0.20	+1.44
150 and above	649.20	680.67	835.07	1273.30	+0.97	+3.09
Average for all holdings.	284.84	113.93	394h44	205.47	+2.52	+2.11

— for which these labourers were mainly hired — is now done by tractors. Casual labour, of course, has shown an increase compared to before. The main operations undertaken by casual labour before were hoeing-weeding, harvesting, and threshing; now, whereever paddy is grown, they are also involved in planting and, for other crops, in sowing, digging, FYM application, and spraying. Some of these operations were earlier done by permanent hired labour. Female labour usually helps in cotton-picking, decobbing maize, potato and groundnut digging and washing, rice transplanting, harvesting, and other such operations. On the whole, female casual labour as a percentage of male casual labour, has shown an increase — of almost 12 per cent as compared to before. Because of the decline in family labour and in permanent hired labour on the smaller holdings, casual labour shows a greater per-acre positive change in man-days. Relatively lower variations are found, in terms of work-days, in female labour for the various sized holdings. To exclude the effects of increased irrigation on hiring of labour, 52 holdings with constant irrigated area, both before and after tractor purchase were considered. The data is presented in Tables 11 and 12.

By and large, the pattern of family labour and permanent hired labour and casual labour is more or less the same — as was seen from Tables 9 and 10. On these selected holdings, the negative change in permanent hired labour is more as compared to total holdings. As may be seen, on holdings having constant irrigated area, the per acre change in casual labour is 1.21 work-days for males and 0.81 work-days for females.

On the whole, the increase in demand for casual labour may be attributed to several causes, important among which are: (i) increase in operated area; (ii) increase in level of intensity of cropping; (iii) increase in crop yields; (iv) changes in cropping pattern, such as, increasingly more of cotton, potato, paddy, groundnut etc, being grown all of which are more labour intensive; (v) and even allowing for seed-bed preparation which tractors have more or less completely taken over — thus affecting the permanent hired labour for the purpose — the requirement of human labour in harvesting, hoeing water-channelling, cotton-picking, vegetable and fruit picking, groundnut and potato digging, decobbing of maize, stripping of sugarcane, etc; (iv) changing role of family labour — especially on relatively large holdings on which family members have become more or less 'organisers' of their farms: (vii) changing role of different categories of labour itself. Since part of the work on the farm is undertaken by tractors, other jobs such as threshing, water channelling, weeding, etc — which were earlier done by permanent hired labour — are now being increasingly done by casual labour.

Besides finding other jobs in agro and non-agro business, some of the labour thus moves to nearby districts where work for a relatively longer span of time may be available to them; creates a shortage in the region from where they move out. The wage rates ranged anywhere between Rs 115 to Rs 230 per month (inclusive of meals) for the permanent hired labour, and the average for all sampled blocks was nearly Rs 150. In some cases, a share — anywhere between 1/6th to 1/14th — of the crop is given to adult workers, the share depending upon the crop yields. For casual male labour, the daily wages ranged between Rs 6 and Rs 10.00 (inclusive of a meal). For females, the daily wage is usually 25 to 30 per cent lower than for males.

There has been a definite displacement of drought animals with the incoming of tractors. The land-bullock ratio moved as shown in Table A.

TABLE A

*Land — Bullock Ratio

Holding Size	*Before*	*After*
0-15	2.60	6.39
15-30	4.05	11.29
30-45	6.77	14.96
45-60	8.25	24.21
60-75	4.53	20.03
75-100	8.03	23.33
100-125	8.25	23.25
125-150	5.26	27.40
150 and above	11.06	22.55
Average	5.23	13.83

* In case of camels, the conversion into bullocks was at a ratio of 1 camel = 2 bullocks.

TABLE 11: FAMILY LABOUR AND PERMANENT HIRED LABOUR. (IN NUMBER) ON HOLDINGS WITH CONSTANT IRRIGATED AREA BEFORE AND AFTER TRACTOR PURCHASE

Holding Size (in acres)	Family Hired						Permanent Hired Labour	
	Before			After				
	Full-time Males	Part-time Males	Part-time Females	Full-time Males	Part-time Males	Part-time Females	(Excluding Hired Operators) Before	After
0-15	1.50	0.83	1.50	2.17	0.83	1.50	0.83	0.83
15-30	1.88	0.04	1.32	2.28	0.32	1.64	1.08	1.18
30-45	1.83	0.33	0.50	2.25	0.25	0.67	2.25	1.92
45-60	3.00	—	1.50	2.50	1.00	1.50	0.50	4.00
60-75	1.25	—	1.00	1.50	0 75	1.00	5.50	3.75
75-100	2 00	1.00	1.00	2.00	1.00	1.00	5.00	3.00
100-125	—	—	—	—	—	—	—	—
125-150	1.00	—	1.00	1.50	—	1.00	12.00	8.35
150 and above	—	—	—	—	—	—	—	—
Average	1.79	0.21	1.13	2.17	0.42	1.33	2.13	1.93
Average for Hired operators								0.15

TABLE 12: CASUAL LABOUR (IN MAN-DAYS) PER ACRE ON HOLDINGS WITH CONSTANT IRRIGATED AREA BEFORE AND AFTER TRACTOR PURCHASE

Holding Size (in acres)	Holdings (No)	Males			Females		
		Before	After	Change	Before	After	Change
0-15	6	12h54	15.56	+3.02	4.17	4h79	+0.62
15-30	25	10h70	12.39	+2.59	2.43	2h59	+0.16
30-45	12	12h22	13.33	+1.11	2.68	3h95	+1.27
45-60	2	3.94	3.85	+0 09	4.48	0.38	—0.10
60-75	4	5.25	6.19	+0.14	9.15	10.95	+1.80
75-100	1	4.80	5.20	+0.40	7.04	8.0	+0.96
100-125	—	—	—	—	—	—	—
125-150	2	2.92	3.14	+0.22	6.13	6.95	+0.82
150 and above	—	—	—	—	—	—	—
Average	52	8.63	9.84	+1.21	4.25	5.06	+0.81

Each bullock now commands a much larger acreage of operated area as compared to before. The number of bullocks kept per holding dropped from 6.19 to 2.58, whereas the average number of buffaloes went up from 2.80 to 3.36. Even on the smaller holdings the bullocks could not be totally relieved, and on an average one pair is kept to serve as a stand-by — in case of breakdown of tractor, for planting of certain crops, and for other jobs on the farm.

CONCLUSION

An important outcome with tractorisation of the village economy in Punjab is that farmers are becoming more conscious of capital investment than they ever were before, and they are more willing to accept change today and incur higher risks as entrepreneurs of their farms — a role they had never assumed earlier. Also, perceptibly more educated persons and family members who were working elsewhere before are now returning to the villages to undertake farming not only as a means of living but also as a means of sizeably raising the marketable surplus. Partly this has led to an increase of about 11 per cent in the operated area and also to some change in the cropping-pattern. Along with a shift in the operated area, there is also an upward shift in the number of household which now seek to rent in land to be able to benefit from the economies of scale. Before tractor purchase, there were 10 per cent of the holdings which, besides owning tracts of land, either rented in land or both rented in and mortgaged-in land; after tractorisation, this percentage went up to 22.35 which is more than twice the figure before. As one aspect of the changing crop pattern, American cotton, for example, has been more widely sown in Ferozepur district and in others where more and better irrigational facilities than before are provided. Besides, farmers are experimenting with bringing larger areas under paddy, *toria, sarson, barseem* and in some cases even under soyabean. The land-bullock ratio certainly shows an increase after the tractor purchase. Because of the displacement of drought animals, each bullock now serves as a stand-by on relatively larger tracts. The displacement of drought animals has led to an increase in the milch cattle kept by our responding farmers, but this shift is not very significant — though in districts like Ludhiana, the shift is more noticeable than for the sample on the whole.

Undeniably, a larger investment on farm capital is being made now in the form of tractors, their accessories and implements, tubewells, threshers, power fodder cutters, power cane-crushers, and similar other assets. Also, since vistas of double-cropping and in some cases even getting a third crop open up to farmers, the use of power to enable them to save time becomes important. Most of our respondents sounded enthusiastic about being behind the wheel and about their drive towards increasing marketable surpluses. There has also been an increased and extended use of fertilisers, high yielding varieties, improved seeds, and increased demand for labour in the villages generally. It is usually believed that tractorisation leads to displacement of labour. Not all kinds of mechanisation necessarily displaces labour. It is important to take into view the utilisation of the machine, the types of operations undertaken by it and the other far-reaching effects it is likely to bring into the economy. Our sample has shown an increase in family labour, skilled labour, and casual labour on the farms after the introduction of tractors.

In family labour, the number of full-time and part-time, males and part-time females, respectively, increased from 1.93, 0.21, 1.1 to 2.39. 0.45 and 1.3 per tractor holding. In casual labour, the percentage increase in man-days is 38.47 among males and 80.33 among females. This is accredited to several, reasons among which are: extended area under operation, higher crop yields, increased intensity of cropping, raising of certain crops which are more labour intensive, changing roles of family labour and permanent hired labour, and finally, existence of certain operations which cannot be undertaken by machines. Moreover, in the non-agrarian sector, employment tends to increase because more hands are needed for the manufacture of tractors, spare parts, tractor implements, accessories and their repairs. Further, more gasoline stations and village oil depots provide employment opportunities. Casual labour is usually more busy during the harvest seasons and a constant complaint of the villagers has been non-availability of labour during this peak season resulting in higher labour costs. If more labour can be made available from other regions during the peak seasons, it can provide employment to those extra hands too. Even now, in some areas there are inter-state or inter-regional movements of labour, but this mobility is not very widespread. If better knowledge and facilities for mobilisation are provided, labour would move to places in search of better returns. However, in the present circumstances, the mobility constraint explains the willingness to adopt mechanised means.

Given the present area under crops and the present cropping intensity, one could probably say that more labour would be utilised if there had been no mechanisation on the farms. But whether, with the lack of it, farmers could really extend cultivation to large acreage and sow more crops in a year, is just anybody's guess. However, it may be mentioned that small power tractors (at cheaper rates) may be more suitable in Indian conditions where most of the farms are small and hence the machine can be put to an optimum use. As was mentioned in the paper earlier, the farmers showed keenness to buy smaller tractors, but in the absence of its availability, they bought whatever was available to them. Finally, it may be of interest to note that relatively larger holdings may be more capital-intensive, but the investment per acre after tractor purchase turns out to be higher in the case of smaller holdings (Table 6). Similarly, though much more casual labour is employed by the larger holding households, the average positive change in hiring casual labour per acre is much higher in case of smaller holdings because of a decline in their family labour and in the permanent hired labour (Table 10). In family labour, a greater positive change is seen in the holdings groups between 30 to 150 acres, the largest change being in the 45-60 and 100-125 acre classifications. At the same time, the number of labourers permanently hired by larger holdings which has been much greater has, as a consequence of mechanisation and more family labour coming in, also been released to a greater extent in the larger holdings groups.

[The original study was done under a Research grant from USAID, New Delhi, 1970-71, under the title "Tractorisation and Its Impact on the Agrarian Economy of Punjab".]

1 One district from each of the three zones (sub-mountainous, central and south-western) was selected, representing highest density of tractors according to the cropped area.
2 In a village, where the required number of informants were not available or were hesitant to provide the required information, other neighbouring villages forming a 'cluster' were selected for the study.
3 The average for all holdings is a weighted mean for all the Tables.
4 Part-time in taken to mean around 50 per cent of the full-time work. The latter represents an 8-hour day on an average.

Socio-Economic Aspects of Dairy Development

Report from the Bangalore Milkshed Area

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The government's dairy development programmes, it has been claimed, have been guided by the objectives of increasing milk production in the rural areas, improving the nutritional standards of the people, especially those of the vulnerable groups, and strengthening the economy of the small and marginal farmers and agricultural labourers.

This paper presents the result of a research project undertaken in the Bangalore Milkshed Area of the Karnataka state. The air of the research project was to examine the extent to which the individual measures introduced and the technique and organisational set-up chosen had met, or were likely to meet, the objectives of dairy development as spelt out in the Five-Year Plans.

IN several states dairy development programmes have figured rather prominently in the Five-Year Plans, and specific programmes for the development of modern dairy farming have been started during the past two decades. With the launching of the all India key-village scheme in 1952/53 programmes for the development of modern dairy farming were started in Karnataka state. In 1965 the intensive Cattle Development Project was introduced as a crash programme in the Bangalore Milkshed Area.

The All-India and Karnataka five-year plan state that dairy development programmes have been guided by the following three objectives: (1) increase in the milk production in the rural areas (among other things to satisfy the increasing demand from the urban areas); (2) improvement of the nutritional standard of the population, especially among the vulnerable groups; (3) strengthening of the economy of the small and marginal farmers and agricultural labourers.[1]

During the past several years there has been an increasing awareness that the high expectations from the so-called Green Revolution are not about to be met. Not only did the introduction of high-yielding grain varieties not lead to a sustained increase in agricultural output, but the agricultural strategy followed since the mid-1960s has by and large left the small farmers behind.[2] As is well known, the high-yielding grain varieties were primarily introduced in areas with ensured water supply. Because of the capital-intensive production required for the new grains, it was primarily the already well-off farmers who were able to benefit from the new strategy. Furthermore, there seems to be some validity to the argument of increased returns to scale as regards the production of high-yielding varieties, at least in the wheat growing areas where mechanisation has been introduced.

In the light of this experience of the new agricultural strategy with its strong emphasis on growth, the third objective —strengthening of the economy of the sub-marginal farmers and agricultural labourers — of the dairy development programmes has become especially important. With the present emphasis on Social Justice in the planning documents, dairy farming — or animal husbandry in general — is considered one means of achieving this objective. Seve-

ral arguments are advanced to show that dairy farming is particularly suited for the smaller farmers. For one thing, dairy husbandry is not dependent on the size of land-holding, and secondly the law of increasing returns to scale does not apply, it is argued.

In order to examine the possibilities of improving the economy of the small farmers through dairy development programmes the Institute for Development Research (Denmark) undertook a research project in the Bangalore Milkshed Area of Karnataka state, where the above-mentioned programme, the Intensive Cattle Development Project, is operating. The area is located within a radius of 40 miles from Bangalore city and comprises 9 talukas in Bangalore district, 5 in Kolar district, and 2 in Mandya district.

The aim of the research project was to examine the extent to which the individual measures introduced and the technique and organisational set-up chosen had met, or were likely to meet, the objectives of dairy development as stated in the Five-Year Plans.

The analysis of the research project falls in two parts: the first deals with individual programmes and their consequences for different groups of farmers, and the second is an analysis of the milk producers' co-operatives.

Dairy Development Programmes

Dairy development programmes can be grouped in three categories: the first category deals with measures to *increase the production* at the farm level. This is first and foremost sought to be achieved through an increase in the number of cross-bred cows, particularly through artificial insemination of local cows with semen from exotic high-milk-yielding breeds. There are over 100 artificial insemination units in the Milkshed Area, each unit covering three to five villages. Besides, veterinary and extension services are offered.

The second category is concerned with the *marketing* of milk. It is the aim to establish a modern marketing system which will bypass the traditional private middlemen. Through its price and credit policy the government encourages the establishment of village-based milk producers' co-operatives. Besides, the government has built a modern dairy plant with a daily capacity of 150,000 litres in Bangalore city and also chilling centres in the area.

The last category involves *credit* for the purchase of cross-bred milch cows. Loans from commercial and co-operative banks are administered through the co-operatives and are given against security of land. In the spring of 1972 the Small Farmers Development Agency started subsidising loans to small farmers.

During the Second, Third and Fourth Five-Year Plans (1956-73) for the State of Mysore (Karnataka) the resources devoted to cattle and dairy development comprised around six per cent of the total outlays allocated to the agricultural sector. This share is planned to increase to ten per cent during the Fifth Five-Year Plan (1974-79).

In addition, a new project for dairy development in the southern part of Karnataka is planned to be launched. It is estimated to cost some Rs 50 crores over a ten-year period, two-thirds of which will be paid by the World Bank.[3] The main aim of this project is a many-fold increase in the number of crossbred cows, primarily through artificial insemination of local cows. Through the establishment of about 1,700 insemination units in the southern districts of the state — which now has some 315 units — it is the plan within a five-year period to multiply the number of milk-giving animals by five. In the project outline the average milk yield per crossbred cow is estimated to be very high with the result that big increases in the production and supply of milk are expected. It is further the plan that the vastly increased amounts of milk will be entirely marketed through the expanded co-operatives and state-owned dairies which are expected to capture the entire urban markets and that, in fact, a few years hence private milk vendors will have ceased to exist. This, in turn, requires a considerable expansion of existing dairies as well as construction of new ones, and sixty-three per cent of the World Bank budget is therefore set aside for expansion of the dairy capacity. In the new project, the co-operatives are supposed play a much more central role than now, as they are expected to control the distribution of inputs and to undertake extension work. The big state-owned dairies are expected to change over to co-operative ownership.

Bangalore Milkshed Area

Administratively, the Bangalore Milkshed Area is defined as the area in Karnataka state which is within a radius of 40 miles from Bangalore city. This means that it covers almost the entire Bangalore district as well as parts of Kolar and Mandya districts; and official dairy development programmes are found in most of the talukas within the 40 mile limit.

The climatic conditions make the area well suited for dairy development, the climate being quite dry and alternative uses of the land relatively scarce. The altitude is about 900 meters and the temperature is moderate, seldom exceeding 36°C. About one-fifth of the net sown-area is irrigated, primarily from tanks and wells which aften dry out during the winter months. Because of poor irrigation, it is in many places only possible to harvest one crop a year. The land-holding pattern in the area is characterised by many small holdings. In 1955-56 there were some 114,000 land-holdings in Bangalore District. By the recent agricultural census in 1971 the number had more than doubled and is now estimated at 241,000.[4] The number of small holdings has had the largest increase and, according to the 1971 census 71 per cent of all holdings are below 5 acres, and these occupy 35 per cent of the arable land. While the land distribution is less unequal than in the northern parts of the state and many other parts of India, the big and increasing number of small holdings is a serious problem for the developmet of agriculture in the area.

Uses of Livestock and Supply of Milk

In the Bangalore area the buffalo is the traditional milch animal. Bullocks of the indigenous cattle breed are used as draft animals, and local cows are primarily used for the reproduction of bullocks. Besides, the local cows do give some milk, provide scarce manure and they are often used as draft animals as well. The introduction of crossbred cows through the artificial insemination of local cows thus implies a change in the use of livestock and has implications for the supply of draft power.

In the Bangalore and Kolar districts there is a total of more than 1.2 million heads of cattle and 300,000 buffaloes; and a comparison of the livestock census over the last two decades shows the numbers to be fairly constant. It is estimated that in the area one pair of good bullocks is needed for the cultivation of six to eight acres. If this estimate is compared to the actual number of bullocks, and the area under cultivation, there would seem to be a lack of bullocks, which explains why so many farmers also use local cows as draft animals and why the reproduction of draft animals is so important for the farmers. The farmers do not consider the crossbred animals good draft animals.

Traditionally milk was primarily produced close to where it was consumed being difficult to transport unless converted into ghee. This means that the milk supply for the urban areas was by and large produced in the cities proper. In the centre of Bangalore there are still many big "dairies" (cattle herds), often with crossbred animals with high milk yields. Milch animals are also found in the new suburbs.

During the first two five-year plans the primary aim regarding dairy development was to increase the production in the towns or in their immediate vicinity. It was only with the Third Five-Year Plan that the strategy of locating milk production in the rural areas and integrating it with the agricultural sector was introduced.

Table 1 shows that a considerable part of the milk production in the Bangalore area still takes place in the city. About one-fifth of the milk is produced in the city, where most of the production is from crossbred cows. These have a much higher average daily yield than the crossbred cows in the rural areas. Here the milk production is about equally divided among the three types of cows, but because of the great number of local cows, these provide most of the milk despite their low yield.

According to the 1971 population census, there are 4.5 million people in the area, of whom 1.65 million live in the city proper. It is estimated that the total household consumption of milk is about 250,000 litres a day. An additional 25,000 litres are estimated to be consumed in restaurants, giving a total daily consumption of 275,000 litres, which are procured as shown in Table 2.

A substantial proportion of the city's milk consumption is thus procured through private milk-dealers from areas outside the Milkshed area. As there is no indication that milk is exported out of the area, the average daily consumption of milk per capita in the city comes to approximately 0.17 litre. Outside the city the average daily milk consumption per capita is approximately 0.06 litre, giving a total daily consumption of 175,000 litres.

On the basis of the population increase and expected incomes, it is estimated that the demand for milk in the city will rise by 7 per cent a year. According to the recent livestock census, the number of local cows and buffaloes has not been increasing during the last two decades. However, there seems to be substantial increase in the number of crossbred cows in the city as well as in the rural areas, and provided the present tendencies continue, the increase in milk production necessary to meet the rising demand will have to be from crossbred cows. As outlied above, this is in line with the present development policy.

Table 1: Estimate of Total Daily Production in the Bangalore Area 1972

	Number of Animals	Average Daily Yield Per Animal* (litres)	Total Average Daily Milk Production (litres)
In Bangalore City			
Crossbred cows	15,000	5.3	79,500
Local cows	6,500	0.33	2,100
Buffaloes	8,300	0.67	5,600
Total for the city			87,200
In Bangalore Milkshed Area			
crossbred cows	25,000	3.00	75,000
Local cows	369,000	0.33	121,800
Buffaloes	158,500	0.67	106,200
Total for Milkshed Area			303,000
Total for Bangalore Area			390,200

* Allowance made for seasonal variations.

Source: Average yield of crossbred cows are based on data collected for the present survey. The number of crossbred cattle is estimated from official sources, including Livestock Census 1972. The figures for local cattle and buffaloes are from Daroga Singh, *et al*, Monograph on Estimation of Milk Production, Institute for Agricultural Research Statistics, New Delhi (1970).

Results of Survey

As the development strategy emphasises that milk production shall take place in rural areas, the bulk of the data was collected in villages. In the Milkshed Area, two areas were chosen for study in which the livestock development programmes had been in operation for a long time and where the development of dairy husbandry had received special attention. One area is located 25 kilometers south of Bangalore city, and the other about 50 kilometers north of the city. Eight villages in the southern and nine in the northern area were chosen for study.[5]

In each of the villages about 15 per cent of the households (315 households in all) were selected at random, and these were interviewed in detail about their economic position, about the livestock in their possession, and about their milk production, sale and consumption. Later a survey was made of all the households (330) with crossbred animals in the 17 villages.

One of the objectives of the livestock development programmes is, as mentioned, to improve the economy of the small farmers and landless labourers. In order to analyse whether this objective has been — or is likely to be — met, we examined the effects of the programmes on different groups in

Table 2: Average Daily Procurement of Milk for Bangalore City 1972

Produced in the city and delivered through private distributing channels (approx)	87,000
Produced in the Milkshed Area and delivered through Bangalore Dairy	38,000
Produced in the Milkshed Area and delivered through private distributing channels	90,000
Produced outside the Milkshed Area and delivered through private channels	60,000
Total procurement (approx)	275,000

Note: Almost all the milk produced in the city proper as well as that produced outside the Milkshed Area bypasses the state-owned Bangalore Dairy.

the selected villages. The 315 randomly chosen households were consequently divided into socio-economic groups.

Land-holding size and irrigation determine whether the rural households is capable of producing a surplus which is sold in the market, whether it is capable of meeting its consumption and production needs, or whether it is forced to sell its labour to others in order to meet these needs. On the basis of the size of cultivated holding,[6] occupation and income the households were divided in 5 socio-economic groups, as shown in Table 3. (In one big village many households were engaged outside agriculture, primarily as self-employed, well-off weavers, and it was therefore necessary to distinguish between rich non-cultivating and poor — primarily labourer — non-cultivating households.)

Distribution of Livestock

Table 3 shows the distribution of the 315 households among the 5 socio-economic groups as well as the distribution of land, cattle and buffaloes among these groups. It is especially noteworthy that the crossbred cattle is much more unequally distributed among the socio-economic groups than the local cattle — the 17 per cent big farmers owning 37 per cent of the local cattles,[7] 46 per cent of the buffaloes and 63 per cent of the crossbred cattle.

As mentioned, the buffalo is the traditional milch animal. We have included it in the analysis to show that there are actually more farmers who can afford to keep two types of livestock (milch and draft animals) than is apparent just from the distribution of crossbred animals. In this connection it is interesting to note that it is particularly the middle peasants who rely on buffaloes as milch animals. As is shown in Table 3, they own 48 per cent of the buffaloes, but only 24 per cent of the crossbred cattle. The small farmers and landless labourers, however, can afford neither.

In view of the fact that artificial insemination is offered free of charge, one should have thought that many of the smaller peasants would have had their local cows artificially inseminated in order to acquire crossbreds. However, the farmers hesitate to have their cows artificially inseminated. For most, dairy husbandry is of secondary importance, and farmers are first and foremost occupied with the cultivation of their fields and consequently they are concerned with their need for draught power. In this connection the suitability, or non-suitability, of crossbred cattle as draught animals is important. Opinions differ on this question, although there seems to be agreement that the crossbred animals are as strong as the local bullocks, but that they work more slowly and do not stand the heat as well. In any case, the farmers in our samples do not consider the crossbred cattle well suited as draught animals.

Because of this and because of the uncertainty as to whether the progeny will be a female, many farmers therefore do not want to take the risk of having their local cows artificially inseminated, out of fear of getting a male calf. With the local calves they can use the female as well as the male offspring.

The process of acquiring a crossbred animal through artificial insemination furthermore requires a long time-horizon on the part of the farmers. Our data show that it takes four years from the time of the first insemination until the crossbred progeny gives birth to a calf and starts lactating. During these four years the farmers have to spend more money on fodder than they do for local calves.

The hesitation on the part of the farmers to have their local cows artificially inseminated does not mean, however, that the insemination units are not used. Although few local cows are taken to the insemination units, the crossbred cows are almost always artificially inseminated. Our data show that in 80 per cent of the cases the first crossbred in the household is acquired through purchase. However, when the farmers want their crossbred cows to become pregnant, artificial insemination is then used.

A crossbred cow costs between Rs 1,000 and Rs 2,000 and such a purchase is therefore a considerable investment for the farmers. In order to make such investments possible the commercial and co-operative banks grant loans for the purchase of crossbred animals. In our sample, however, only 40 per cent of the purchased crossbred animals were purchased with bank loans. Of these loans 58 per cent had been granted to big farmers, 33 per cent to middle farmers and 9 per cent to small farmers and landless labourers. As there is no adequate insurance scheme for crossbred animals, the banks only lend against the security of land, which means that the big farmers are in a much more favourable position to get loans than the smaller farmers.

Bullock Trade and Artificial Insemination

In the southern part of the state of Karnataka, there is a lively trade in livestock, especially at the time of the big markets in January and April. It is first and foremost bullocks which are traded, and many farmers often sell their pair of bullocks each year at the January market and then buy a new pair, either at the same market or at the April market.

There are several reasons for this lively bullock trade. When the farmer sells one pair of bullocks and then immediatey afterwards buys a new one, he is often motivated by speculation. During the period immediately prior to the sale he will often feed his bullocks especially well and in general make sure that their appearance enables him to receive a high price. At the same time, he hopes to buy a new pair relatively cheaply. Of course, each gain obtained by one farmer through this kind of speculative trading corresponds to a loss suffered by another farmer.

The individual farmer's decision to buy or sell bullocks may also be dependent on his ability to feed the animals and on his need for draught power throughout the year. At the time of the January markets many smaller farmers sell their bullocks, because they do not need the draught power during the following months. Most of the buyers are either traders from other areas — southern Karnataka is a net export area for bullocks — or big local farmers. The latter do not have an immediate demand for draught power either at that time, but their ability to feed the bullocks is much greater, and the January purchase then represents a short-term investment for the big farmers. The smaller farmers who do not possess bullocks, buy bullocks at the April market, or later if they can afford to. The difference between the high prices from April to June and the low prices in December and January thus, in reality constitutes the payment received by the big farmers for feeding the bullocks during the period when they are not much needed.

The frequent replacement of the bullocks may also have non-economic causes. The decision to sell may for instance be related to the peasants' notion that the cattle may develop "bad eyes". These causes were, however, not dealt with during the present survey.

Livestock experts have argued that the lively bullock trade in fact indicates that the individual farmer does not have to use his local cows for the breeding of bullocks. Since he buys his bullocks anyway, he can use his local cows for the breeding of crossbreds without jeopardising his need for draught power.

In the area examined, almost all the farmers are acquainted with crossbred animals, but nevertheless they only very seldom take their local cows to the artificial insemination units. Some of the reasons for the farmers' hesitation to have their local cows artificially inseminated have been indicated above. Furthermore, the relationship between the bullock trade and the breeding of bullocks or crossbreds, respectively, is a complicated one. First, if we look at the demand for bullocks from a regional point of view (and not merely from the individual farmer's point of view) it is obvious that no matter how big the trade among the farmers, it would not affect the total number of bullocks available. It is therefore necessary that the total reproduction of bullocks is continued, or the existing shortage of bullocks for draught power would be worsened.

The farmer however, considers only the individual economic incentives for breeding bullocks or crossbreds. When he replaces his pair of bullocks once a year he must calculate a cash depreciation, corresponding to one year's use value of the bullocks. In order to make up for this, the farmer will now and then have to use his local cow for breeding a male calf. As the periods between calving is long for local cows — especially those belonging to smaller farmers who also use the cows as draught animals — there would hardly be time also to breed crossbred calves. One could, of course, argue that the farmer could just as well breed a crossbred calf which could be sold in order to pay for the depreciation. However, because of the risk involved, the cost of feeding and the time horizon mentioned above, not only the small farmers but also the big ones prefer to use their local cows for the breeding of bullocks. Farmers in our sample who had actually had their local cows artificially inseminated with a view to getting a crossbred cow explained that this was because the cows in question produced a very low quality of local male calves

Yield of Crossbred Cattle and Feeding Pattern

It was shown in Table 3 that most of the crossbred cattle belongs to the big farmers. Besides, the crossbred cows belonging to the big farmers give a higher milk yield per cow than those belonging to the smaller farmers. Two aspects should be noted in this connection. For one thing, it was found that at the time of interview three-fourths of the crossbred cows belonging to the small farmers and landless labourers did not give any milk at all; half of the cows belonging to the middle farmers did not give milk; but of the crossbred cows belonging to the big farmers more than half gave milk.

Secondly, for the cows who were in milk, the average yields varied considerably among the cows belonging to the different socio-economic groups. The data from the survey comprising all the households (330) with crossbred animals show that the average daily milk yield of the crossbred cows belonging to the small farmers was 2.5 litres, of those belonging to the middle farmers 3.2 litres, of those belonging to the rich non-cultivators 4.2 litres and of those belonging to the big farmers 5.4 litres.

The variations in milk yields are no doubt primarily due to differences in the feeding pattern. The traditional livestock fodder is rice and ragi straw. Most of the local cows and buffaloes still get nothing else, except what little they manage to get while grazing. Despite the extension workers' repeated recommendations to grow fodder grass on part of the irrigated land, hardly any of the farmers will set land aside for green fodder crops. Although many of the farmers are acquainted with fodder grasses they prefer to use their valuable irrigated land for rice or easily marketable crops, such as sugarcane or vegetables.

Since the farmers do not use green fodder, the use of concentrates for feeding becomes very important, especially as regards crossbreds. And it is particularly the use of concentrates which varies among the different socio-economic groups. Our data show that concentrates are used much more by bigger farmers than among the other categories of farmers. Since concentrates have to be bought at fairly high prices, this is hardly surprising Many smaller farmers operate at the subsistence level and few have access to any kind of working capital.

The variation in milk yield applies particularly to crossbred cows. Some variation in the yields of local cows and buffaloes is discernible among the animals belonging to the different socio-economic groups and thus subject to different feeding patterns. As the milk yields of local cows and buffaloes are much less responsive to concentrates, the variations are only slight.

Sale of Milk and Marketing Systems

About 40 per cent of all households in the sample produce milk, either from crossbred cows, from local cows or from buffaloes. Two-thirds of the producing households sell some milk. There are, however, some interesting differences in the selling pattern among the socio-economic groups. It was found that the middle farmers as well as the rich non-cultivators keep a greater proportion of the milk produced for home consumption than other groups. For most of the big farmers, their production is so big that even with big sales they can keep up a big home consumption, relatively speaking. The milk producing households among the small farmers and landless labourers, on the other hand, are forced to sell what little they can produce in order to get some cash, and this therefore affects their home consumption of milk.

At a first glance marketing conditions look very simple; the milk reaches the consumers through two separated and well-defined systems. One marketing system is entirely in private hands; here the milk is collected from the producers by private buyers who resell it to retail dealers in Bangalore city. In the southern area, which is close to the city, the buyer often operates a one-man enterprise, and the milk (about 30 to 50 litres) is transported by bicycle to Bangalore city. In more remote areas it is common to find big private enterprises where the buyer has one or more lorries and several employees.

Every two weeks the buyers settle the account with the producers, and all the buyers who were interviewed give short-term loans to the producers. This seems to be a common practice, and the buyers often supply concentrates to the milk producers on credit. One buyer also supplied the milch cattle on credit. The payment takes place through a reduction in the price paid for the milk procurement.

It is this system that the government wants to stop, the reason being that the buyers allegedly use their position as creditors vis-a-vis the milk producers to make big profits. It is further claimed that the buyers often adulterate the milk, for instance, by adding water. When the consumer price in Bangalore was about Rs 1.40 per litre, the pro-

TABLE 3: DISTRIBUTION OF HOUSEHOLDS INTO SOCIO-ECONOMIC GROUPS AND DISTRIBUTION OF LAND CATTLE AND BUFFALOES

	No of Households	Distribution (Per Cent)	Cultivated Area (St acr)	Distribution (Per Cent)	No of Local Cattle	Distribution (Per Cent)	No of Buffaloes	Distribution (Per Cent)	No of Crossbred	Distribution (Per Cent) Cattle	No of Households with Crossbred Cattle	Per Cent of Households with Crossbred Cattle*
Rich non-cultivators	17	5.4	0	0	1	1/2	2	1	10	5	3	18
Poor non-cultivators	44	14.0	0	0	24	3	0	0	8	4	4	9
Small farmers (0.1—3.0 acr)	65	20.6	108	4	116	14	14	5	8	4	7	11
Middle farmers (3.1—14.0 acr)	135	42.9	954	32	367	45	142	48	48	24	26	19
Big farmers (above 14 acr)	54	17.1	1904	64	303	37	137	46	125	63	34	65
Total	315	100.0	2966	100	811	100	295	100	199	100	75	24

* This column gives the percentage of households with crossbred cattle in each socio-economic group.

ducers were paid Rs 8.80 to 0.90 at the farm gate.

The government's solution is that all the functions of the middlemen — collection, processing and distribution — shall be carried out by an alternative system of milk producers' co-operatives, chilling centres, milk routes and the government-owned dairy which it is now the plan to transfer to co-operatives. For the last decade this new marketing system has been an integral part of the government's development plans for dairy production.

The co-operatives are supposed to be characterised by collaboration and democratic control by the milk producers. Besides promoting social justice; this strategy should improve the quality of the milk sold as well as increase production and supply of milk from the rural districts to the city. In other words, the co-operative marketing system should alleviate all the ills of the private marketing system.

An analysis of the real situation regarding marketing patterns shows very clearly that there is no sharp division between the two marketing systems. On the contrary, the two systems are often closely integrated. Even where this is not the case, the new co-operative system has many of the traits characteristic of the traditional system, especially at the village level.

Whereas the private buyers pick up the milk at the farm gate, in the co-operative marketing system the producers themselves deliver the milk to a collection place in the village, from where it is transported either directly to Bangalore Dairy or to a chilling centre. The transportation usually takes place in dairy-owned vans, but the co-operatives may transport the milk themselves and thus avoid the transportation fee of 5 paise per litre.

About one-third of the households who sell milk, sell it directly to a co-operative. This marketing pattern is especially used by the big farmers. About one quarter of the households sell to private buyers, and the milk reaches the consumers entirely through private channels. The milk from the remaining households (42 per cent) is marketed through a combination of the private and the co-operative marketing system.

INTEGRATED MARKETING SYSTEMS

It was found that the traditional and the co-operative marketing systems were combined and integrated under several different forms. The most common "marketing chain" would be as follows: the producer sells the milk to a private buyer who then sells the milk to a local co-operative, from where it is taken to the Bangalore Dairy. There are, however, several variations which, render necessary a further description of the systems.

The private buyer acting as middleman between the producer and the co-operative is in most cases a big, local farmer who is often also one of the leaders of the co-operative, generally the chairman or the secretary. The majority of the producers, on the other hand, are small or middle farmers who only produce and sell small amounts of milk.

This type of integration is found in four to five of the nine co-operatives investigated. In each of these co-operatives there are a few such persons, each buying small amounts (about 10 litres a day) and most with a substantial milk production of their own. A few persons, who daily buy big amounts of milk either in their own or in neighbouring villages, hire a person to collect the milk on bicycle. It is difficult to get exact data on the profit earned — partly because the milk is often diluted on its way through the "chain"; but a realistic estimate would be a profit of 7 paise per litre, even when transportation costs are allowed for.

The relation between these co-operative leaders, who buy the milk in their own name and resell it to the co-operatives, and the producers is exactly like the relation between the "real" traditional private buyers and the producers, both as regards settling of accounts and the supply of credit and concentrates. The dilution of the milk also takes place under this system, and represents a major problem for Bangalore Dairy. The co-operative leaders often succeed in bribing the persons who weigh and test the milk in the Dairy and at the chilling centres. However, the milk will often be already diluted when it leaves the farmer.

There are several reasons why the co-operatives are allowed to be exploited the way they are and why the small producers often do not join them and thus get the benefit of direct delivery to the Dairy. One major reason is that the small farmer often is in a dependency

relationship to the co-operative leader who provides credit and working capital. Frequently the relationship is one of general economic and social dependence, and even when the small farmers are actully members of the co-operatives, they might nevertheless be forced to deliver the milk to the co-operative *through* the leader.

Secondly, the advantage of delivering directly to the co-operative is often quite small for a small farmer. Several examples were found where not even the producers delivering directly to the co-operatives were paid the price stipulated by Bangalore Dairy, as in some cases the co-operative leader keeps some of the money for himself. There were several instances where the small farmers did not quite know whether they were in fact selling the milk to the co-operative leader as a private person or to the co-operative leader in his capacity as co-operative secretary, i, e, directly to the co-operative. Given the fact that the co-operative leader will often pocket some money for himself in either capacity, the factual transaction pattern is of only minor importance.

In many instances the co-operative leaders are big farmers who were already engaged in buying and selling of milk as a secondary occupation before the setting up of the co-operatives.

Another type of integration between the traditional and the co-operative marketing system was found in three of the co-operatives. Here a private buyer unconnected with the co-operatives would buy milk from the farmers and sell it to the co-operatives at the price stipulated by Bangalore Dairy minus a commission charged by the co-operative leader. The operation of this type of integration between the two marketing systems is dependent upon two factors, one being the price relationship between the price stipulated by Bangalore Dairy and the one prevailing in the open market.

The relationship is also dependent upon the government's marketing policy, according to which direct sale to the Dairy and the chilling centres is only allowed through co-operatives or persons holding special licences. Such selling licences are no longer issued, and only a limited number of persons still hold them. In periods when the official Dairy price for milk is higher than the one prevailing in the open market the private dealers are therefore interested in selling the milk through a co-operative, even if they have to pay a commission to the co-operative leader. This system is especially prevalent in areas which are located so far from Bangalore that the dealers cannot reach the city market on bicycle.

At a chilling centre in a small town about 30 miles north of Bangalore city the buying and selling transactions take place in a manner which very much resembles that of an auction. What is actually being 'auctioned" is the permit to use someone's licence for a period of time, the "buyer" being the private dealer without a licence, and the "seller" a co-operative leader or a licence-holder. Usually the licence-holder gets a commission of 5 paise per litre, although he has no expenses whatsoever, as the milk is brought right to the chilling centre by the private dealer, the commission thus actually amounts to a monopoly rent. Four out of five co-operatives investigated in the northern villages and one in the southern area have at different times been licence- "sellers". Needless to say, in all cases the beneficiary of the commission was the person running the co-operative and not the co-operative as such.

Licensing system like the one operated by the Bangalore Dairy are, of course, used quite frequently in India. It is part of Indian economic policy to introduce licensing systems and similar measures—such as subsidies for the purchase of various kinds of inputs, food-rationing — when it is felt that desirable social and political goals cannot be attained through reliance on the market mechanism. As is the case with the licensing system introduced by Bangalore Dairy, the desired goals are seldom attained through such measures; the market mechanism is let in through the back-door, and the inevitable result is to enrich the persons holding the licence or the subsidy.

During the course of the investigation one more integrated marketing system was identified. Opposite to what has been described above this was a co-operative chain which became grafted upon a private one due to a relative price change in the market. In the first half of 1973 most food prices including milk, were rising very fast. The government-fixed Dairy prices to the producers were also raised, but not as much nor as fast as the prices in the private market. In areas within bicycle distance from Bangalore (including the southern villages surveyed) several producers stopped delivering to the co-operatives and sold to private buyers instead. In more remote areas, where the co-operatives have a stronger position due to lack of competition, there have been two cases where several co-operatives have joined together and contracted with private lorry-owners to have their milk transported to Bangalore where it is sold to private agents.

Apart from the various forms of integration outlined above, the co-operative marketing system has many traits characteristic of the private system. This is especially true as regards the relationship to the producers. The co-operative leaders often lend money to the small producers who have to pay back when the milk is delivered; and several co-operative leaders were accused of the kind of misuse which was supposed to take place in the private system — e g, underpayment, failure to settle accounts, late payment, use of oversized measuring cups, refusal to pay for one day every month (a local custom practical by private buyers).

But the co-operative leaders have an edge over the traditional private buyers. Usually their local political position is much stronger than that of the private buyers, and they have more means at their disposal, not least from the development resources made available to the co-operatives. Each co-operative has the right to receive a certain amount of subsidised concentrates, which is especially valuable at times of rapidly rising prices. During our investigation we found several instances where the subsidised fodder never reached the village but was sold in the open market in the near-by town by the co-operative leaders.

ROLE OF CO-OPERATIVE IN GRANTING CREDIT

The economic power of the co-operative leaders is even further enhanced through the bank loans for the purchase of crossbreds which are administered through the co-operatives. Eight of the nine co-operatives investigated have administered such loans to local farmers. The total amount of loans administered by a co-operative ranges from Rs 20,000 to Rs 230,000. Each loan amounts to Rs 2,000 and is repayable in 36 monthly instalments which are deducted from the loanee's milk deliveries to the co-operative. The yearly interest varies from 9 to 11 per cent.

The normal procedure is for the co-operative to apply to the commercial or co-operative banks for loans. In practice it is the leaders of the co-operatives who decide which peasants are to receive the loans, as the banks as

a rule automatically approve the candidates suggested by the co-operatives.

The loans for the purchase of crossbred animals are very attractive and are, by the way, often used for other purposes. To the co-operatives and their leaders, it is important that the loanees have to deliver milk to the co-operatives. The income of the co-operative leaders is, in fact, dependent, among other things, on how much milk is delivered through the co-operative (either directly or through the leader acting as a "private" buyer). Thus the control of the loans for crossbreds becomes an important element in the competition with the private buyers.

In two of the co-operatives investigated there are, however, several cases where loanees do not deliver milk to the co-operatives. There are even a few examples where a farmer succeeded in obtaining loans from two different co-operatives, whereupon he returned to his traditional private buyer. In most of the villages the local political position of the co-operative leaders is, however, so strong that such carefree shopping around for loans without paying one's dues to the leader, is simply not possible.

The co-operative leaders also derive some direct income from the administration of loans for crossbreds. In several co-operatives the leaders secure several loans for themselves and then in turn lend the money to others on less favourable terms. One co-operative leader had secured about twenty loans in his own and other people's names for himself. The crossbred cows he purchased were then themselves given as loans to small producers on quite a different real rate of interest. Two co-operative leaders simply charged a commission for themselves on all the crossbred loans administered by the co-operative.

The investigation includes a case study of 18 bank loans channelled through one of the co-operatives. All 18 loans included a subsidy of Rs 500 for small farmers, although only 10 of the loanees met the conditions for being classified as small farmers.[8] When the loans had been approved by the bank they were paid to the co-operative leaders who went to Nilgiris to purchase the animals.[9] Seven of the actual loanees participated in the trip but did not participate in the negotiations and the leaders saw to it that they were not even present when their own animals were bought.

When the deals had been concluded the two leaders of the co-operative had managed to pocket for themselves an average of Rs 400 on each animal. Various methods were used, such as charging the loanee with a price higher than the actual cost of the animal, or charging for non-existent expenses. The actual buyers of the crossbred animals were never informed of the details of the purchase. When the animals were brought to the village they were given to the farmers along with concentrates for which they were charged inflated prices.

Every two weeks accounts were settled between the loanees and the co-operatives, for the milk delivered. Instalments for the loan as well as payment for the overpriced concentrates were deducted from the price of the delivered milk. The farmers, however, had no way of figuring out how the amount they received was actually calculated. Several of the small and middle farmers were quite aware that irregularities were taking place, but because of the political and economic power of the co-operative leaders they considered it futile to protest or to take any action.

Co-operatives and Village Politics

In view of the fact that the leadership of the co-operatives may give considerable advantages, it is not surprising that there is often fierce competition for the leadership among different local groups. As mentioned, the leadership may be economically renumerative, and it also often increases the political power of the individual persons. If, for instance, the co-operative leader arranges a loan — maybe even a subsidy to a farmer who is not really qualified — a dependency relationship develops where the loanee may be obligated, e g, to give favourable witness in a law suit or support him in the village panchayat.

In all the co-operatives studied there had been some conflicts regarding the leadership, and some of these were still unresolved. The conflicts were not between different castes or classes but were more in the nature of factional conflicts. Outside support from administrators or politicians was often decisive for the outcome of the conflict.

The co-operative leaders are always big and influential farmers, but in two of the villages the leaders had become "big people" through their control of the co-operative. In two villages there were bitter conflicts between these upstarts and the traditional village leaders who are still the biggest land-owners. The co-operative leaders have managed to make good use of the various development funds.

In two of the villages the conflict has had the result that two different milk producers' co-operatives were established in each village, and in one of the villages the conflict was being fought in the courts.

Summary and Discussion

The increase in milk production in the Bangalore Milkshed Area has taken place during a period of general economic growth in the area. This growth, with the concomitant rise in the income of the middle classes has, among other things, resulted in an increased demand for milk, especially in the urban areas. It is difficult to hypothesise to what extent the increased milk production is due to the general economic expansion and to what extent it is a direct result of the government's dairy development programmes.

The investigation does indicate, however, that the development programmes have resulted in increased milk production in the villages where there has been a concentration of the various development schemes. In these villages the big farmers at least have a much bigger production than in other villages. The data also show that the introduction of crossbred cows has resulted in increased milk production.

However, with regard to the development objective concerning the strengthening of the economy of the small farmers and agricultural labourers specifically, the investigation clearly shows that it is almost exclusively the big farmers who have benefited from the livestock development strategy. Only very few of the middle peasants and hardly any among the poorest groups have acquired crossbred animals.

The middle and small peasants, who have very little money for investment, find it difficult to acquire crossbred animals, and the few who do possess them are unable to exploit their production potential. Only few peasants among these groups have been granted loans for the purchase of crossbreds, and the data indicate that when they receive loans, the terms are less than favourable. The middle and small peasants are furthermore reluctant to have their local cows artificially inseminated. This reluctance is also found among the big peasants, but these have the possibility of purchasing crossbred animals, if they want to possess them. The negative attitude against artificial insemination is primarily due to the demand for draught power and, especially for the small farmers, to the long, and from a feeding point of view expansive, period before the offspring starts lactating.

The introduction of a co-operative marketing system has not made the small producers less dependent on the local middlemen and village leaders. The supposedly democratic co-operative structure was introduced from above. Because of the social structure in the villages, however, the co-operatives came to serve the interests of the big farmers. In some instances the co-operatives have even become important organisations for the latter, because of the development funds at the disposal of the societies and the income possibilities they provide.

From the above one might draw the conclusion that small peasants do not stand much of a chance in modern dairy development. However, the results of the investigation do not necessarily warrant such a conclusion, whereas the analysis does indicate that the existing dairy development policy — with its specific choice of technique (crossbreds) and organisation (general co-operatives) — is not capable of benefiting the small peasants, given the existing social and political situation at the local level.

On this basis it is relevant to raise the question whether a different dairy development policy might fulfil the Social Justice goal. In other words, would an alternative policy based on a different choice of technique and on a different organisational framework be capable of including the small peasants in modern dairy development — without jeopardising the production growth objective?

From the result of the investigation it is not possible to put forward any definite alternative dairy development policy. However, the investigation does throw light on some of the most important obstacles facing the small peasants, and it is thus possible to outline *possible* elements of an alternative policy.

As is well known, there has for several years been discussion regarding the ideal choices of technology for agricultural development in India. This discussion has included the technology to be adopted for dairy development, and here the question has been whether to choose the buffalo or the crossbred cow as *the* milch animal. The particular needs and constraints of the smaller peasants have never been taken seriously into consideration in this discussion, which is unfortunate as the choice of technology makes a big difference to the smaller peasants in particular. There is ample evidence to show that for the smaller peasants the crossbred cow is economically too unmanageable, as the cost of acquisition as well as feeding is far too high. The buffalo requires much less financially, as the initial outlay as well as the cost of maintenance is much smaller. As shown above, the data collected during the study indicate that the middle peasants figure prominently as buffalo dairy farmers. However, hardly any of the smallest peasants and landless labourers can afford to keep anything but local cattle, if even that.

The production potential of the local buffaloes can be improved through artificial insemination with semen from Indian buffaloes with high milk yield. It is true that the production potential of crossbred buffaloes is smaller than that of crossbred cows. On the other hand, the peasants who can only afford to feed their animals with traditional fodder, are in a much better position to exploit the production potential of crossbred buffaloes of crossbred cows. Besides, the peasants would not hesitate to have their buffalo artificially inseminated as they would not lose draught power — it being a traditional milch animal. Besides, the peasants are familiar with buffalo management. These are some of the arguments for exchanging the semi-foreign crossbred cow for the native buffalo as the future milch animal.

In several other Indian states, e g, in Gujarat, milk production is based on the buffalo. Research data from those areas[10] indicate that the smaller peasants have been better able to participate in dairy development than is the case in Karnataka state.

The results of the investigation regarding marketing and credit show that the organisation of the dairy development programmes is such that the smaller peasants are not given many chances to participate. It is necessary to initiate programmes which exclusively cater to these groups. It is true that one programme is supposed to do exactly this, *viz.* the SFDA loan-subsidies. One of the weaknesses of the SFDA programme, however, is that it is administered through the existing co-operatives which, as pointed out above, are dominated by the big farmers.[11] From the experience gained so far, an alternative policy would be to allow for the establishment of parallel co-operatives which are not open to the big farmers. Whether or not the big farmers could be prevented from influencing such parallel co-operatives. remains an open question, however.

In the Five-Year Plans and in all official declarations it is repeatedly mentioned that the livestock development policy in Karnataka state has two equally important objectives, *viz,* higher production and social justice. However, an analysis of the actual programmes and their implementation leaves no doubt that the decision-makers in actual fact are only interested in the first objective: the aim is to increase production so that there is enough supply to meet the increasing demand for milk from the urban middle classes. Neither the Fifth Five-Year Plan (1974-79) for Karnataka state nor the World Bank Project referred to above contain programmes which give priority to the social justice objective.

Regarding the *production objective* there are strong reasons to expect that the World Bank project will not be able to reach its very ambitious targets. The project calculates on a degree of interest, hitherto unknown, on the part of the farmers to have their local cows artificially inseminated and on average milk yields from crossbred cows which are twice as high as those measured during the present investigation. It therefore seems safe to predict that the projected expansion of dairy capacity — amounting to about two-thirds of the World Bank project funds — will be a misallocation of resources.

The research findings show that, apart from the rather ineffective SFDA programme the *social justice* objective remains an exercise to be referred to only in the plan documents and in official declarations. The groups with an actual stake in the practical consequences of the social justice objective have no political influences *vis-a-vis* the two groups benefiting from the present policy of giving priority to production, *viz,* the urban middle classes and the big farmers.

As mentioned, the present development plans do not contain any significant changes in the dairy development policy. The World Bank project will employ the same technique as has hitherto been used, *albeit* on a much larger scale; and the present co-operative structure will be expanded. For the smaller peasants there thus does not seem to be any chance of an increased participation in modern dairy development in the foreseeable future.

There now seems to be general agreement that India's agricultural development policy during the past decade has led to an increased social polarisation in the rural areas. This paper shows that there are good reasons to believe that the present dairy development policies will contribute to further polarisation. The fact that the social justice objective is not implemented does not necessarily mean that the production objective is automatically met. A policy catering almost exclusively to

the relatively few big farmers does not sufficiently exploit the available resources and will in the long run have negative effects on the increase in production.

Notes

[This paper is based on a research project carried out by the Institute for Development Research, Copenhagen, Denmark, by the authors. The field work was carried out in two periods between October 1971 and December 1973.]

1 Fourth Five-Year Plan, 1969-74, Government of India, esp p 190, and Fourth Five-Year Plan 1969-74, Government of Karnataka esp p 170.

2 For a discussion of the social effects of the so-called "Green Revolution see T J Byres, "The Dialectic of India's Green Revolution", *South Asian Review*, Vol 5, No 2, January 1972, pp 99-116; and Keith Griffin, "The Green Revolution: An Economic Analysis", UN. Research Institute for Social Development, Geneva 1972.

3 "Integrated Dairy Development Project, Karnataka State, Project Outline ", Government of Karnataka, September 1973.

4 Statement Showing the Numbers and Area of Holdings in Karnataka State, State Agricultural Census Commissioner, Bangalore 1973. As is always the case with diachronical analysis in India, there is the question of definition. It is unclear to which extent this will influence the comparison between land-holdings between 1956 and 1971.

5 In both areas a cluster sampling technique was used, and inside each cluster villages were chosen with varying degrees of programme input. (For a detailed description of the selection procedure see IDR paper A 73.8. Report on Livestock (Dairy) Development in the Bangalore Milkshed Area — Socio-Economic Aspects.) Most of the data from the two samples were collected from March to May, 1972. The collection of data from all the households with crossbred cows lasted for a longer period during 1973. In order to allow for seasonal variations (flush and lean seasons), data on production and sale were collected four times during the year.

6 A standardised measure for land was calculated as follows: 1 dry acre equals 1 standard acre; 1 wet acre equals 3.5 standard acres. For details regarding the classification of households, the reader is referred to in the note above.

7 A comparison between column 2 and 3 shows that relative to the size of land cultivated, the smaller households are better covered with regard to draught animals than the big farmers.

8 This subsidy is given by the Small Farmers' Development Agency (SFDA) which operates in three districts in Karnataka State, including Bangalore district. In three of the co-operatives investigated. SFDA subsidies have been given to small farmers for the purchase of crossbred animals. The SFDA defines small farmers as independent small holders with 2½-5 acres dry land (or 1-2½ acres irrigated land).

9 About 5,000 to 6,000 crossbred animals are exported annually from Nilgiris which is situated in the mountains, about 350 kilometers south of Bangalore.

10 Vyas, V S, Tyagi, D S and Misra, V N: Significance of the New Strategy of Agricultural Development for Small Farmers", 1969; and also "Report on Economics of Dairy farming in Mehasana District of Gujarat State", 1971.

11 Besides, the SFDA does not provide subsidy for fodder which is essential for exploiting the production potential of crossbred cows. A similar point was recently made in a study of SFDA in Surat District, see Desai, Mahendra D, "Small Farmers' Development Agency; Experience in Surat District", *Economic and Political Weekly*, Vol IX, No 31, August 3, 1974.

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CENTRAL BANK

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NEW DELHI

Creeping Shadow of Elections

B M

HOW sharply the options before the government have narrowed is highlighted by its desperate position on the question of the payment of dearness allowance to its three million employees. As per the Pay Commission formula, the government is obliged to grant five DA slabs to its employees, each costing the exchequer upward of Rs 50 crores. The government has been procrastinating over this while discontent among the employees has mounted. Pressed by the Opposition parties in Parliament to clarify the government's position, the Finance Minister pleaded that a fresh review of the government's finances was under way and that a decision woud be taken in the light of the results of the review. The excuse did not impress any one. The state of the government's finances is already clear enough: the budgetary deficit is soaring and the government simply does not have the resources to pay its employees the additional DA which is rightfully theirs. No amount of reviewing will improve the government's financial position.

The Finance Minister's statement was, therefore, rightly taken as a clear indication that the government proposes to withhold payment of the DA, at least for the duration of the current financial year. This has understandably given rise to a wave of protest among government employees and a situation of confrontation, on a scale much bigger than even what was witnessed at the time of the railwaymen's strike last May, is developing. The question for the government to consider is whether it can afford such a confrontation and whether it is ready to use the coercive powers of the State to suppress the government employees in the same manner as it did the railway workers.

The developing confrontation with its own employees is clearly a part of the wider context in which the government will have to operate in the coming months. Its present desperate situation is the outcome of a long process of deterioration in its management of the economy. Much before reaching the present stage of near-bankruptcy, the government had been obliged to undertake the so-called economy drive. As a result, there has been a slowing down of development activity in the public sector all along the line, and in the social services in particular. Efforts to raise additional resources have failed to retrieve the government's finances. The desperate moves to secure more and more foreign aid, a good part of it not for development but to finance current consumption and to support the revenue budget, too have not been enough. The so-called anti-inflationary measures launched last July, which consisted almost entirely of a partial wage and salary freeze, too have not achieved the results expected of them.

An economic situation such as the present one is bound to assume political dimensions. The growing discontent in the country has begun to express itself in many forms of protest, organised and unorganised. The furore over various scandals in which political personalities are involved is but a part of the general scenerio of the crisis of the present political leadership.

A snap general elections early next year has become the subject of great controversy. From all indications no decision has yet been taken by the government. But the idea is being seriously considered, which shows that the government itself has reached a point where it thinks that a way out of the present situation can be found only through desperate political means. The argument is that the economic as well as political situation is bound to worsen in the coming year with the confrontation between the government and the people becoming more sharp and intense. This situation, so the argument goes, could be headed off by a mid-term poll to secure the legitimacy of the regime for another full five-year period. Seen in this light, a mid-term poll would appear to be a highly undemocratic and illegitimate use of the electoral process. Given its desperate situation and its objectives in calling the elections, it is hardly to be expected that the ruling party will be particularly concerned about the fairness of the elections; it will certainly not be averse to using all available means to somehow secure a majority in the Lok Sabha.

Whether or not it is finally decided to hold a mid-term election, the prospect of an election has already begun to condition the behaviour of ministers and the administration. The attempt is to tailor everything to electioneering purposes. The Agriculture Minister has bravely announced that the food crisis is a thing of the past and that everytning will be fine with a good rabi crop next year. What exactly is the basis of this optimism is, of course, not made clear. But on an election platform this would certainly be a good talking point. Nobody seems to bother about next year's annual plan, for instance, or about framing a budget which would pull the government out of the financial crisis. The Industry and Civil Supplies Minister is promising everything to everybody, without caring to initiate any action to fulfill any one of his promises. It will not surprise anyone if even the government employees are after all given a part of the DA in cash with the promise that the rest will be paid in instalments in the next financial year. Faced with elections, the government is known to become very liberal with certain types of expenditure and large promises for the future. The UP elections this year were a good indication of the extent to which the government can go.

In a situation like this, it is futile to try to find any sense of direction or purpose in anything that the government might do or say. The contemplated reorganisation of the Planning Commission is illustrative of this state of affairs. The Planning Minsiter and the Deputy Chairman of the Planning Commission, D P Dhar, has been told that he is to be shifted to Moscow. Finding it embarrassing to have to continue in Yojana Bhavan with nothing worthwhile to do, Dhar is known to have approached the Prime Minister with the request to relieve him and let his successor take charge so that the usual discussions with the state governments on the annual plan for the next year could be completed in time. However, he was airly asked why he could not continue for just another couple of months to finish these talks. His successor-designate for the post of Deputy Chairman also does not appear to be

very keen to take over his onerous responsibilities in the present uncertain times. Whether or not the changes in Yojana Bhavan are finally made in the next few days or weeks, the utter casualness with which the work of planning is regarded cannot escape notice. This attitude applies to the conduct of the business of government on a very wide front.

MAHARASHTRA

Breast-Beating by CITU

THE Maharashtra State Committee of the CPI (M)-led Centre of Indian Trade Unions (CITU) held its second three-day conference in Bombay from December 20, after a gap of four years. The first conference, which had marked the formation of the CITU's Maharashtra State Committee, was held in November 1970. The State Committee had decided to hold its second conference in 1972 and had even fixed the dates. However, the conference was never held — according to the explanation contained in the General Secretary's report to this month's conference, because of the acute drought conditions in the state then. Among the reasons mentioned for not holding the conference subsequently is the nation-wide railway strike and the 'unbridled repression" and mass arrests of railway workers. It is not very clear how any of these factors justified the CITU's Maharashtra State Committee going into hibernation.

This month's conference was attended by 380 delegates from all over the state and was inaugurated by B T Ranadive, president of CITU. Godavari Purulekar, general secretary of All-India Kisan Sabha, and P Ramamurti, member of the CPI (M)'s politburo, were also present. Sixty delegates from "fraternal unions" — mostly from the Socialist Party-led Hind Mazdoor Panchayat, following the formation of the joint front between the CPI (M) and the Socialist Party in the trade union area also attended the conference.

Ranadive, in a long speech, reviewed the economic crisis facing the country and the struggles launched by the working class in the last two years, including the railway strike. He disclosed that the CITU's all-India membership had crossed the one-million mark despite the fact that "more than 200 [CITU] unions in West Bengal are unable to function due to terror and their offices continue to be occupied by Congress goondas." Ranadive called upon CITU cadres to make efforts to draw in professionals like doctors and lawyers as well as middle and lower income white-collar groups who, like workers, also bear the burden of the inflation and the wage freeze and other measures taken by the government. Ranadive also spoke at length about the anti-wage freeze struggle to be launched by the CITU in the near future. What, one wonders, has it been wanting for so long?

Apart from the speeches of other CPI (M) and CITU leaders and the resolutions adopted condemning the wage freeze and unequivocally supporting Jaya Prakash Narayan's movement in Bihar, the conference was notable for the 116-page report of the general secretary. The most significant aspect of the report is its frank admission of the CITU's "insignificant" strength in the trade union movement in Bombay city and in the rest of the state. It is frankly conceded that despite the CITU's work in the four years, in pursuance of its political line of "unity and struggle", and its "image" as a disciplined and revolutionary organisation, it has failed to improve its organisational strength. Except for the newspaper and woollen textile industries CITU has no "decisive strength" in any of the major industries. Among workers of Bombay's port, municipal and state transport, the two airlines, etc, the CITU does not have even a toe-hold. In the railways, the CITU's influence is limited to only the Bombay division. With one or two exceptions, CITU unions are restricted to small engineering concerns. The general secretary has pointed to the 'danger of the large section of working class slipping into the hands of the revisionists", meaning, of course, the CPI-led AITUC.

The general secretary said that lack of cadres and the CPI(M)'s failure to attract new recruits to the party have proved major "impediments" to the growth of the CITU and its unions in Bombay city and the rest of Maharashtra. Thus the CITU has no workers to start unions in the emerging and growing industrial cities of Poona, Nasik, Sholapur, etc.

The general secretary has drawn attention to the growth of the Shiv Sena-led Bharatiya Kamgar Sena in Bombay city and the threat posed by it to CITU-led unions. Using terrorist methods and victimisation, the Shiv Sena had already spread its influence among workers. The report calls upon the CPI(M) leadership to give thought to the creation of a militant protection force of workers" to combat the "terrorial methods" used by the Shiv Sena and its trade unions.

The CPI(M) and CITU, the report admits, have also allowed the impression to spread among workers that they have not been able to fit into day-to-day trade union work the politicisation of workers through running of political study circles and raising young communist cadres from among the workers. The CPI(M) workers and activists, the report says, should make efforts to remove this erroneous impression and take steps to create political awareness and class consciousness among workers so that their support would be available for the party's future struggles. The report is also critical of the working of some of the CITU's unions. These unions have stopped functioning on democratic lines. Their managing Committees "exist only in name" and their general bodies hold meetings only once in three or four years.

The report contains two other significant points. It admits that CITU has committed a serious mistake in allowing the Jan Sangh-led Bharatiya Mazdoor Sangh into the action committee of the central trade union organisations and emphasises the need to counter the spreading influence of "reactionary forces" like the Jan Sangh among workers and to prevent them from "hiding" their true class character by entering into the Left trade union movement. Second, the report emphasises the need to organise agricultural workers, particularly the adivasis, by drafting CITU and CPI(M) cadres to work in the villages.

What is conspicuous by its absence from the secretary's report is what the CITU and the CPI(M) propose to do to overcome the many weaknesses in the organisation and working of the CITU and to extend its influence, whether among the professional and white-collar groups in the urban areas or among the landless workers in the rural areas.

This was perhaps understandable, because that would have involved a frank examination of the extent to which the CPI(M)'s weaknesses and failings in the trade union field have to do with its geneal political line and programme. However, till such an examination is undertaken, reports ports such as that referred to above such as that referred to above will remain exercises in breast-beating.

NORTH

Good Collaborators!

VEHEMENT denials by Punjab's Chief Minister Zail Singh and PPCC chief N S Talib of the existence of factions in the state Congress have merely confirmed suspicions about their existence. Declarations about the smooth functioning of the party machine and the claim that the recent reports to the contrary are just malicious talk have merely underlined the dismal state of things in the ruling party. With the hiatus between the party and the people constantly widening because of the poor performance of the Zail Singh ministry over the past three years, a campaign has begun to dislodge men in key offices — especially the Chief Minister and the party president.

Zail Singh seems to be on the defensive. At two well-attended functions this month, he publicly acknowledged that some people were evidently displeased with him; he was even willing to apologise to those whom he might have unwittingly offended. But the persistent reports of the party being faction-ridden, he said, could only be rooted in "personal grouses and differences of opinion in the party"; whenever the organisation faced a crisis, Congressmen always stood together and surmounted the difficulties. This was the time, he said, to unitedly face the growing challenge of "communalists and reactionary forces". Lately, party chief Talib too has been reacting bitterly to the disgruntled Congressmen's campaign. He declared: "I cannot be removed by giving misleading headlines in the newspapers .... Only death or my party can remove me from this post .... The party is working in complete unison."

Such brave postures have not convinced anyone, however. To stem the rot of internal bickerings, the Congress leaders convened a Narora-type camp at Nangal from December 20 to 22. A new political strategy was laid out to garner mass support and to make the party more acceptable to the electorate. To counter Jayaprakash Narayan's drive, the Punjab Congress leaders — following in the footsteps of the central bosses — intend to win over and mobilise student power by establishing a special cadre of youth. The previous Congress camp, held at Nangal many months ago had yielded little; this one too is unlikely to make the Congress more popular.

It is interesting, however, that while in their political manoeuvrings the Akalis and other opposition parties leave no stone unturned to embarrass the Congress, a tacit understanding nevertheless emerges between them all whenever the interests of the landed classes seem threatened. Landlords dominate both the Congress as well as the Akali party. Indeed, this is a major factor impeding the implementation of the agrarian reforms about which tall claims have been frequently made. Moreover, members of both parties and some other legislators are themselves wholesale foodgrain traders or are closely associated with the activities of traders. When, last February, the Punjab and Haryana High Court struck down some vital clauses of the Land Reforms Act, making its implementation virtually impossible, the majority of both Congress and Akali MLAs were clearly pleased. The court ruling came as a windfall to them.

Clandestine collaboration too has been evident for thwarting the state government's official attempts to unearth hidden food-stocks and to compel the big landlords to sell their stocks at the stipulated price. In fact, the government machinery had to eat humble pie on this issue, the net outcome of its effort to unearth hoarded foodgrains being negligible. Nor were the ceilings on grain stocks with private parties enforced. There was collusion at all levels. Some court injunctions also came in handy and virtually nullified the land reforms as well as the foodgrain recovery campaigns. The number of big landlords in Punjab is estimated at 245, among them Ministers who in effect play a double role. Reports have it that every Minister in the Zail Singh team is a big landlord owning farm land much beyond the ceiling. Some of the farms are effectively 500 acres, the law notwithstanding.

Broadly the same story has been repeated in Haryana, the land reforms yielding very little benefit to the landless. Just two per cent of Haryana landlords have holdings each of more than 50 acres. Some four per cent of the holdings are in the 30 to 49.9-acre group. About 43,000 people own more than 25 acres. Holdings in the 5 to 9.9-acre category, on the other hand, account for 46 per cent of all holdings. Finally, since the High Court struck down the concept of the 'family' in the Land Reforms Act, implementation of the Ceilings Act has, of course, been at a standstill. As in Punjab, the bigger holdings were split up on paper to evade the ceiling as well as any strict operation of the Hindu Succession Act. The state government will now go through the motions of introducing in the Assembly's budget session (commencing on January 1) a bill to amend the Land Ceilings Act — introducing a new definition of the 'family' so as to meet the legal hurdle. Although the 34th Amendment to the Constitution protects land ceiling laws by including them in the Ninth Schedule, the state government wishes to make things doubly sure "to make a reality of land reforms". According to official sources, it would be necessary for landowners to submit fresh declarations of their holdings. As if it were all a matter of definitions and submission of declarations.

KARNATAKA

Limits of Student Mobilisation

Bharat Jhunjhunwala

IT started with a study group of students initiated by a post-graduate student of Karnataka University at Dharwar. The 10 members of the group got enthused over a 50-day strike at a nearby paper mill. They came in contact with the Students' Federation of India and inaugurated their unit with a conference on the decadence of the education system. This first conference was attended by about 500 students and some 200 expressed agreement with the SFI analysis. Through personal contacts they established nuclei in the four local colleges and in the University. Further encouraged at state and all-India SFI conferences in 1974, they started their activities in earnest.

In early 1974 in a private high school, a teacher dared question the arbitrary actions of the head clerk who used to issue memos to teachers and even slap them occasionally. The head clerk had this particular teacher beaten by goondas upon which the teacher sought the help of the SFI. The SFI submitted a memorandum to DIG of Police, demanding arrest of the head clerk and threatening a 'dharna'. The head clerk was thereupon transferred before the deadline set by the SFI.

The person who controlled this high school was also chairman of the Kittel College. After having collected the student union fees from the students in August, the college management had notified that there would be no elections to the union this year and that the office-bearers would be nominated by the principal. This was done because (i) the students had supported the SFI demand for the transfer of the high school head clerk and (ii) the progressive teacher, who was the head of the staff association, was supported by the students. While the SFI activists were discussing the problem in the college premises, there was a spontaneous lightning strike. The students boycotted classes and the scheduled inauguration of the nominated union was not held the next day. The college chairman then conceded the students' demand and an SFI sympathiser was elected president of the union.

The Vice-Chancellor of the Karnatak University had reduced the number of post-graduate students to be admitted by about 50 per cent because she felt that too many students had been admitted the previous year because of the vested interest of the previous Vice-Chancellor. Again the SFI submitted a memorandum and had the decision reversed. These activities got the SFI some support. In the University Gymkhana elections for 56 representatives, six were won by the SFI. Then the SFI decided to contest the post of General Secretary. The management candidate was the son of the Dean. On the day of the elections, he was able to frighten 20 of the representatives with stories that two of the contestants were planning to kidnap them and take them to his home and lock them up. He polled 21 votes against the SFI's 13. Thereafter the kidnapped students were allegedly offered fee concessions, scholarships, etc, and they kept quiet.

Some other attempts were also made to educate and mobilise students on the issues of employment and right to work, corruption in employment exchanges and room rent in hostels, but with negligible impact so far.

The Life Insurance Corporation held interviews for jobs and on their basis a waiting list of 153 was announced. Of these 100 were absorbed and then the remaining 53 were "informed" that the waiting list stood cancelled. The SFI hesitantly gave a call for dharna. Immediately, the Divisional Manager of the LIC individually called more than half of the 53 candidates and requested them not to participate in the dharna and assured them that he would give them jobs. Actually only 12 out of 53 sat in the dharna with some 20 SFI activists for three days. The other students were also passive.

Some of the student activists participate in trade union processions and dharnas and Ryot Sangha protests. The students look upon questions like the price of kerosene or hoarding as not being 'their' demands. In all attempts to forge an alliance with other sections, the experience has been extremely disappointing. The students are just not interested.

The SFI activists point out that the class background of college students is basically upper middle class, for, after all, it takes about Rs 200 a month to maintain a student. As a mass, they may support democratic demands such as those against the price rise, unemployment and corruption in employment exchanges. But it is difficult to either organise them or to involve them in the demands of the poor sections as a mass. It may be possible to briefly mobilise the student masses on an emotional demand like cancellation of elections, but it is not possible to get them to support the trade unions in their wage struggles or agricultural labourers on the slogan of "land to the tiller". However, it may be possible to use the mass mobilisation on democratic demands as an arena from which to recruit more serious individuals to work with the poor. This, it appears, ought to be a major objective of mass student mobilisation.

BIHAR

Six Blind Men

Sudhir Sonalkar

NINE months after the beginning of the agitation in Bihar, no one, neither Marxist analysts nor supporters of the 'movement', are clear as to what it is all about. The contradictory views run somewhat as folows.

It is a mass movement: look at the massive support that JP is able to mobilise. This is countered by the CPI and Congress: "it is a fascist movement" and fingers are pointed at Anand Margi and Jan Sangh participation.

Then there is either the CPI-type attempt to satirise 'total revolution' and sit on one's backside or a genuinely frustrated but naive 'if only' attitude towards JP's failures.

The CPI is losing the chance of a life-time, some maintain. This sort of statements, however, shows the close link between opportunism and lack of analysis. After all, is the CPI a progressive party of any shade any longer?

The movement is leading to the domination of reactionary forces. This is from the CPI(M). A party that has been virtually paralysed in its functioning in West Bengal by the state machinery and Congress terror, does the CPI(M) still see the Government of Siddartha Shankar Ray's party in Bihar as part-progressive?

Then there is the attempt to assert *ad nauseum* that caste is the main problem before Indian society and that this, is after all, is still the main obstacle before the 'successful' completion of the Bihar movement.

Before some attempt is made to draw the minimum of lessons from the events in Bihar, a few things have to be made clear.

Apart from the dissolution of the Assembly, JP has not given any programme to the people. And in fact the greatest danger lies now in the twist he seeks to give to the 'movement' in leading it willy-nilly towards new elections, a process that, in the present framework, has lost much of its credibility among those few that tried to vote consciously.

A non-programmatic movement can only be the movement of a class like the petty bourgeoisie, which has a sort of in-between social existence, and which in semi-feudal conditions does not experience even a recognisable transformation towards economic proletarianisation. There is a certain strength in such a movement, negatively, as long as it retains its non-programmatic character, in that it does not offer tangible confusions, or clear lines of class collaboration to the people as the rationale for pseudo-revolution.

The talk of a 'fascist movement' must also be quickly brushed aside. In a country that still retains pre-capitalist relations, fascism is a meaningless word. If white terror is what is meant, it always comes in answer to a revolutionary movement. If the general reactionary terror of semi-feudal, semi-colonial conditions in a state of crisis is meant, then, this terror comes from the State and nowhere else. The various terms are therefore more applicable to the Congress than to anyone else — count the dead, the injured, the arrested and the number of the CRP-type forces present all over Bihar.

What a movement without direction can do, if it diverts the people towards participation in our pseudo-parliament, is that the lumpenisation of the petty bourgeoise youth that proceeds apace in such conditions is made utilisable by reactionary forces in future as the social base of their terror. As for the Anand Margi fantasy, well, one-and-three-quarter Anand Margis do not constitute a menace to anyone except the wonder-weavers of Azad Bhavan. The Jan Sangh's hold over the movement, too, is not political but organisational by default. The Chatra Sangharsha Samiti runs because of Akhil Bharatiya Vidyarthi Parishad youth primarily. Many of them do not know what they are doing, and represent petty bourgeoise youth in rebellion more than anything else.

Looking for what JP does not do helps JP rather than anyone else, since it means taking him more seriously than is his due. As for the problem of caste, of course, it does operate. But it is only the illusion, created by some, of the extent of the movement that makes it even possible to think that the movement of its own accord can overcome caste prejudice.

All the same the ideology of semi-feudal, semi-colonial rule has been definitely loosened in Bihar today. People do think, they do talk politics. A sort of cultural awakening can be seen to have taken place. In this sense, its anti-authoritarian content is stronger than in Gandhi's movement, since it hits out at local authority. If the effect of the latter lasted for a while, the effect of the present movement will remain in Bihar for quite some time to come. And culture can sustain when other things do not happen. In quite another sort of context, one can see this in Telengana, where the region's revolutionary culture carried on the flame when struggles had temporarily died down.

A couple of incidents quite separate from the movement need to be taken seriously. In one region of Bihar, an adivasi organisation is running a parallel government these last few months. It is not, of course, fully political in a revolutionary sense, but has not the general anti-authoritarian atmosphere in Bihar something to do with its occurrence at this stage? Or an even more recent incident: some peasants in Motihari rescued some of their political leaders from the police after they were arrested and were being taken away in a van.

Unlike in West Bengal, the petty bourgeoisie in Bihar has acted purely for itself. In West Bengal, its attempt to dominate working class politics has led to a paralysis in the face of the terror let loose by the State. The petty bourgeoisie in Bihar dares to act. In Bengal it is biting its nails in frustration. In this sense, an anti-corruption struggle is not an altogether meaningless one.

Bihar, for all practical purposes, has no bourgeoisie of its own. Even its bureaucracy has been aptly described by some as a 'kleptocracy'. The anti-parliamentary feeling too, it must be remembered, has emerged in the background of almost daily changes in coalition governments, reshuffling of cabinets, etc. Even a semi-feudal petty bourgeoisie can take so much and no more.

GUJARAT

Economics and Politics of Growing Grass

Gautam Appa

GRASS is gold. Grass is god-send for sleeping landlords for it does not have to be cultivated; it just grows. No need to sow or tend it and no weeding. What is more, it is a cash crop. The government's procurement price is Rs 130 per 500 kg this season, but in Bombay's free market you can earn anything from Rs 300 to Rs 350 for 500 kg.

In western India, the best pasture-lands where grass is grown for sale are in Kutch, Thana, Nasik, Kolabo, Konkan, and South Gujarat. Valasa district in South Gujarat and Pardi taluka in particular are perhaps the most famous in the whole of India as grass-lands because, starting with Gandhi, many famous politicians have participated in political agitations on these grass-lands.

The conditions in Pardi today are as follows. Of the total of 98,000 acres of land, 40,000 acres are under grass. One acre of grass requires 30 man-days of labour to cut and to prepare the grass into bales. Grass is cut in October. So 40 per cent of the land in Pardi provides employment only for a month in the year. Mainly, the tribal population of Pardi comes out from the hinterland in October to cut the grass. By law, the daily minimum wage should be Rs 3, but anything from Rs 1.50 to Rs 3 is paid. The minimum wage has in fact become the maximum.

The landowners claim that they cannot afford the minimum wage. Their costs, for the government unit of 500 kg and assuming average production at 1,500 kg per acre, are roughly as follows:

	(Rs)
Cutting	30
Wire for bales	5
Making 5 bales (of 100 kg each)	5
Transport (within 15 miles)	10
Loading	5
Miscellaneous	10
Total	65

The costs may vary regionally, but are unlikely to exceed the above figures as these are the maximum.

The government, however, considers the cost to be Rs 130 per 500 kg. Why? Because you have to pay rent to the landlords for the great sacrifice they make in owning the land and doing nothing with it. A typical big grass-land owner of Pardi is a Baniya or a Parsi who acquired the land from his debtors in compensation for default in paying debts, has managed to keep hundreds of acres, the ceiling laws notwithstanding, and has no appetite for the rigours of farming. For his 'enterprise' we pay Rs 175 to Rs 200 acre or say Rs 60 to Rs 65 per 500 kg. Hence the 'cost price' of Rs 130.

To help the 'poor farmer' make a 'reasonable' profit, the Gujarat government has allowed him to sell 20 per cent of the produce in the open market in Bombay. There are many varieties of grass: mushi, bhelsel, ful, etc. The best, mushi, can fetch upto 10 per cent more than the lowest quality, viz, ful. Moreover, some bales are

made up of smaller straws. There are many other ways in which the quality of a bale may be below average. It is not difficult to guess where the poorer quality stuff goes — to the government, of course, as procurement at the fixed price! Procurement is fixed at 80 per cent of the produce. This is only legal requirement and laws are there for their makers to break!

The farmers have a political organisation which carries on propaganda that the farmers cannot afford the minimum wage of Rs 3 per day, that they are being ruined, that the tribals have started a class war, and so on. The tribals also have a political organisation. Founded by PSP veterans, its Gandhian leaders are now in the Congress(R), but it is a class-based organisation of landless adivasis or tribals in the main. To achieve its short-term aim of a wage of Rs 3 per day it boycotted some of the biggest grass operators. The clamour of class war was the result of this action. The organisation of adivasis has claimed over 80 per cent success for its agitation. However, it should be noted that the only reason for this success was direct action. Those who took farmers to court were frustrated as usual. A big farmer employing 5,000 cutters a day was fined Rs 40 on conviction of the crime of paying Rs 2.50 instead of the statutory minimum!

But the victory claimed by the organisation of adivasis is a hollow one. Previously the cutter got a day's food and Rs 2 per day on average. Now he may get Rs 3, but he gets no food. At the current prices of grain, therefore, his real income is lower. No wonder the adivasis are restless. they want some action on those old promises of putting pastures under the plough. The land is fertile and can grow paddy or fruits. A Patel who returned from Portuguese Africa ten years ago bought 40 acres of grass-land and grew paddy and fruit on it so successfully that he has earned a national award. But the sleeping landlords love grass that lets you sleep in peace. The adivasis, on the other hand, want more secure employment for longer periods. The young ones have worn red PSP caps and sung songs of 'land to the tiller' for long enough. 'Put that land under the plough or we will' is their message. So far the threat was not made because the leadership is wedded to non-violence. Now some of the big farmers' grass-lands have been grazed by young herdsmen and no landlord has been able to do a thing. The adivasi leaders say these were stray incidents, and that if they had given a call for destruction of the crop, not a bale of grass could have come out of Pardi. But the exasperated adivasis will not be contained by tough talk and mild actions for ever. There is no class war today in the grass-lands, but this situation could change — and quickly.

POWER

Industry Crippled in the North

THE total shut down in Haryana of power supply to industries, other than sugar and flour mills, was scheduled for eight days starting from November 21. It came in the wake of the standing cut of 60 per cent in industrial consumption. The shut-down was ordered on industry in order to conserve energy for the tubewells so as to enable them to work 16 hours a day during rabi sowing. In October, in view of the low level in the Bhakra reservoir, the generation from the Bhakra-Nangal stations was reduced, from 11.5 GWh per day to 9.0 GWh per day, and the average daily output from the Badarpur thermal station in Delhi was reallocated so as to provide relief to Haryana, Punjab and Uttar Pradesh, again to meet the needs of the rabi operations there.

Of the 23.72 GWh per day power deficit in the entire country, the northern region accounts for as much as 9.84 GWh per day — that is, for over two-fifths. The recent reallocation between agriculture and industry underlines the sharp competition for power between the two sectors.

This competition is most striking in Punjab, where agriculture consumes about 4 million units per day, domestic and commercial consumers about a million units, leaving industry with the meagre available balance of 1.2 million units. In fact, only about 25 to 30 per cent of industry's needs are met. The state has 1.26 lakh tubewells, and another 75,000 tubewells are proposed under the Fifth Plan. Although electric tubewells were thought of to make profitable use of the 'secondary seasonal power', which was available virtually free from Bhakra at one time, as industry's needs were not high, the growing requirement of industry now has changed the situation. Industry claims that as a result of the acute shortage, industrial production worth Rs 2 crores is being daily lost.

This does not mean, however, that adequate energy is available for agriculture. The state's overall needs are about 8 million units a day, while availability has declined from 6.2 million units per day in November 1973 to 5.46 million units per day in December 1973. It went up to 6.64 million units in March 1974, but dropped sharply again to 5.28 million units in June 1974, then rose slightly to 5.9 million units in November 1974.

Haryana, which is more industrialised than Punjab, has had a similar situation with regard to energy. Against its needs of 6 million units a day (agriculture needs 3 million units and industry 2.4 million units) the deficit is 2 million units. Again, agriculture gets top priority leaving industry to bear the brunt of the 33 per cent deficit and the uncertain supplies. This has crippled production in the three industrial complexes of Faridabad, Sonepet, and Ballabhgarh in the state, resulting in a production loss estimated by industry at upto Rs 3 crores per day. For instance, in July and August, out of 3,696 normal working hours, industries in the three complexes got power for only 926 hours. By the end of September, nearly 60,000 of the 1,10,000 workers employed in the Faridabad-Ballabhgarh belt had been laid off. By early November 40,000 workers had been laid off in the Sonepat area.

The Haryana government has been explicitly insisting that industrial units instal diesel generator sets to reduce their dependence on power supplies from the State Electricity Board. Some of the industrial units in any case have their own generators capable of meeting 20 to 40 per cent of their power needs. During the eight-day shut-down, these units could therefore maintain partial production.

However, industry has argued that, unlike in agriculture which needs small high-speed sets as are already manufactured in the country and are easily available, industry needs large slow-speed sets which have to be imported or can be bought at home only after a 30-month waiting period. Therefore, it is agriculture that should be asked to switch to diesel power. Besides, agriculture's needs are seasonal. The real objection from industry to installing its own generation capacity is traceable to the high cost of such power

What Bugs the Public Sector?

Managerial Compensation and Motivation in Public Enterprises by Laxmi Narain, Oxford and IBH, New Delhi, 1973, pp XV + 157, Rs. 25.

THIS book is mainly a research report on three significant aspects of the managements in public sector enterprises: *viz*, what motivates public enterprise personnel; how their compensation compares with that of private sector personnel; and what they *think of the public sector as an instrument* of economic policy in India and of its performance.

The study was carried out by questionnaires given out in 47 public sector enterprises. Of the 47, 26 were classified as industrial, 8 as commercial, and 13 as insurance and banking enterprises. The capital invested in the enterprises covered here aggregates Rs 1,878.87 crores.

The sample included managers in the pay-scale 700-1,250 and upwards to the top level. The sample was divided into three categories and their responses were compared. The classifications were: lower-level managers drawing salary of upto Rs 1,400; middle-level managers drawing a salary of Rs 1,400-2,000; and higher-level managers drawing a salary of Rs 2,000 and above.

The respondents were asked to rank, separately, the factors that contributed to their job performance and the factors that inhibited it. Eight factors were identified in each set. The two sets contained different factors; but the contributing factors were not the opposite of the inhibiting factors. The first three factors contributing to job performance were (i) feeling of worthwhile accomplishment; (ii) recognition of good work done; (iii) decision-making authority; (iv) opportunity for personal growth. The third and the fourth factors were rated equally. The inhibiting factors were (i) lack of consistency in management policies; (ii) lack of clear definition of responsibility; (iii) inadequate communication; (iv) sloth and bureaucracy in management. The third and fourth factors were ranked equally.

Narain's findings were that money and job security are rated lower than the factors mentioned earlier. Among the inhibiting factors the research listed *practises within* the enterprise to be the more decisive ones than those that lie outside of it such as government interference, audit, and attitude of workers and their unions.

The findings are thus similar to some of the findings in the industrial countries of the West. Herzberg and his associates conducted studies in 14 countries. They postulated what is often called the two-factor theory of motivation. The theory suggests that (i) factors that motivate are different from the factors that provide necessary conditions for job performance called 'hygiene factors', and (ii) factors that motivate are intrinsic factors relating to the man-work relationship. Herzberg suggests that achievement, recognition, initiative, and such factors motivate people to work.

The criticism against Herzberg's two-factor theory is that it is methodology-bound: it creates a 'response set'. In the event, the response is unconsciously directed by the methodology employed by the research. This danger is common in social science research, and is often corrected by exercising caution in sampling, and where possible, using appropriate statistical methods to remove chance errors or dispersion. The present book's author has tried to be careful to avoid possible errors in his research methodology.

The other difficulty in using perceptual data is that a particular hypothetical response is not necessarily an index of how the respondent would actually behave if he were placed in the given situation. Herzberg used the recall method to avoid the discrepancy between perceived value and behaviour. He asked his respondents to recall an experience and to express their feelings about that experience.

Narain has not used the incident method or any behavioural index to ensure that the responses have not been influenced by socially acceptable values of respondents. In the present case, the direction of research findings, suggesting that at the managerial levels intrinsic factors seem more important than extrinsic factors is supported by other research, however. The implications of those findings for management are important. To motivate managers, conditions in which they can derive a sense of achievement, recognition, opportunity for personal growth, etc, have to be created.

The second part of Narain's research compares emoluments and frige-benefits between executives in the public sector and the private sector. He finds that, job for job, the private sector pays more than the public sector. This is a fairly clear and generally accepted conclusion. The researcher recommends emoluments, etc, of executives in the public sector should be brought up to be in line with those in the private sector — because a continuing difference will lead to a 'brain drain' from the public sector. Yet surely, the author's recommendations are inconsistent with the author's own findings regarding motivation! The earlier data show that money has low ranking as a contributory factor in job performance. How can higher salary attract, or keep, managers in the public sector? The data in Chapter 3 show also that people, at all levels, still keep entering the public sector. Equalisation in salary could have other advantages and the author may have reasons to recommend this measure; but the data suggest that the measure has no particular relevance to motivation of managers, and its advance could not cause brain drain.

The third part of the study is concerned with the view which managers in the public sector have of the public sector itself. The questions asked included both the philosophy and the performance of the public sector. The findings show that most managers neither believe in, nor subscribe to, the economic philosophy of the public sector; they also do not believe that the public sector's performance is good. The higher echelons are more negative in their views than the lower. Assuming these findings to be true, the implications of the negative feelings are severe: without faith among its personnel in the philosophy of it, the public sector cannot possibly function effectively.

This is on the whole a worthwhile study and the findings have much significance for public sector industry. If the author had handled the discussion of the findings and their application more adequately than he has done, it might have been more useful. Besides, the data are poorly organised and the tables are not fully explained. Even so, the teacher would find this book extremely useful.



National Accounts and the Regression Enthusiast

Sri Lanka: A Study

Arun Shourie

National accounts of countries are used to assess current developments and to view these developments in the perspective of the past. Small changes are dutifully reported and various sorts of ratios are compiled. These changes and ratios are then compared to the values of similar changes and ratios in the past in the particular country and to the corresponding values for other countries.

In using national accounts for time-series models and in pooling them for cross-country regressions one should be aware of the ways in which the accounts are put together and of the many puzzles then contain. This note provides a very brief account of the procedures by which different components of the series are put together in Sri Lanka and of a few problems associated with them. Neither the approximations nor the puzzles are, however, peculiar to Sri Lanka.

The discussion suggests a number of morals for users of national accounts.

(a) One should be extremely wary of reading much into small changes in items like Gross Domestic Product, Gross Domestic Investment and Gross Domestic Savings — aggregates which have become the subjects of close scrutiny in the current wave of macro regression models.

(b) In studying changes, rate of growth, etc, one should study changes of the commodity sector separately from changes in the service sectors.

(c) The constant price series of national account for countries such as Sri Lanka obscure almost as much as they reveal — partly because of the doubtful relevance of many of the deflators used and partly because of the wide fluctuations in export prices. Analysis of changes in GDP at constant prices needs to be supplemented by estimates, however crude, of changes in net commodity availabilities.

(d) Finally, the optimism of the time-series enthusiast should be somewhat dampened by the fact that, in Sri Lanka's case, even in the final accounts, one-third of GDP (not counting tea and rubber) is estimated indirectly and about one-seventh is simply assumed to grow at a trend rate. Unless he is careful, the time-series enthusiast may well find himself regressing one variable on another variable from which it was estimated in the first place!

A NUMBER of agencies, within and outside Sri Lanka, use Sri Lanka's national accounts to assess current developments and to view them in the perspective of the past. Small changes are dutifully reported and various sorts of ratios are compiled. These changes and ratios are then compared to the values of similar changes and ratios in the past in Sri Lanka and to the corresponding values for other countries. Various studies have utilised these accounts for time-series and cross-country econometric work.

Typically, macro-regression models relate individual aggregates to other aggregates.[1] In such models, imports, for example, will be broken down into three or four categories and each category will be regressed on some part of gross domestic product, on the sources side or the uses side. Thus, imports of consumer goods may be related to disposable personal income or to total consumption expenditure; imports of intermediate goods may be related to value added in sectors such as manufacturing; imports of construction material may be regressed on value added in the construction sector; and imports of capital goods may be 'explained' by or may be used to 'explain' gross fixed investment in the economy. Over the past few years, a number of cross-section studies have appeared which set out to explain variations in growth rates, savings rates, structures of output, patterns of employment and other characteristics, of a host of very dissimilar economies.[2] Typically such studies explain the differences in the characteristics with reference to variables such as per capita income, size, capital inflow, dependence on trade, and so on.

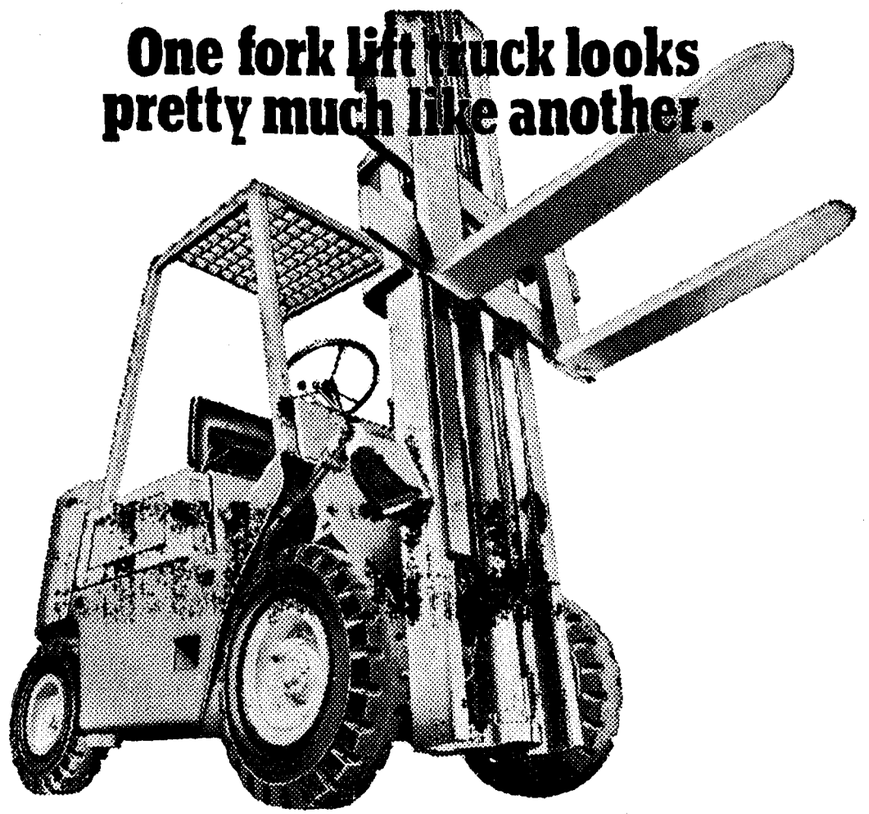
In using the accounts for time-series models and in pooling them for cross-country regressions, one should be aware of the ways in which the accounts are put together and of the many puzzles they contain. This note provides a very brief account of the procedures by which different components of the series are put together in Sri Lanka and of a few problems associated with them. However, neither the approximations nor the puzzle are peculiar to Sri Lanka.

The Central Bank of Sri Lanka and the Department of Census and Statistics release separate series for Gross Domestic Product ad Expediture. Appendix Table 1 shows the ways in which different parts of GDP are estimated by the Central Bank. The following features are particularly noteworthy:

(a) The estimates for many items are arrived at indirectly. That is, they are derived from estimates for other items. A number of other items are simply assumed to grow at a certain trend rate of growth. The shares of these two types of items in Sri Lanka's GDP are as shown in Table 1.

(b) In almost all the cases which are assumed to grow at a certain trend rate of growth, the rate of growth of value added at *current prices* is assumed to equal a given figure (e g, the rate of growth of population). *Prima facie* this seems to be a peculiar assumption; for, in most of the items for which a growth rate equivalent to, e g, that of population, is assumed, one would have thought that *real* output rather than output at current prices would be grow-

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TABLE 1: PERCENTAGE SHARES IN GDP, 1970

(Final Estimates for a Year)

	Items Estimated Indirectly	Items for Which a Trend is Assumed
Commodity production	15*	11
Construction	100	—
Service sectors	44	22
Total GDP	33	15

Notes: * Even though estimates of tea and rubber are made in large part from customs returns, they have not been included in this figure. If they are included, then 45 per cent of commodity production and 48 per cent of GDP are indirectly estimated.

ing at the rate of growth of population.

(c) In making provisional estimates, a number of departures are made from the normal assumptions. Rough notions, based on general, vague, circumstantial evidence, come to play an extremely prominent part; also many additional items too are assumed to grow at a certain trend rate. Even allowing for the fact that 1971, the year of the insurrection, might have posed special problems for such calculations, it is clear that the rate of growth provisionally recorded for a year is a very rough figure indeed. In the services sectors, not a single item (not even public administration and other government services) is estimated from direct returns (Table 2). Unfortunately, all too often, visiting economists and discussants within country focus most heavily on the changes in the year that has just ended — or is about to end — and for which only provisional estimates are available. And, once the provisional figure is circulated, cited, and debated, it acquires a certain permanence of its own. In the subsequent rounds, the authority which puts out the initial estimate is naturally a bit reluctant to revise it in too dramatic a manner

(d) As noted in Appendix Table 1, value added in a number of sectors is estimated indirectly with the help of certain rules of thumb and by relying on some indirect sources (e g, customs returns) for primary data about developments in the sector. In most cases, the rules of thumb are based on surveys conducted in 1953 and 1963. An example of such rules is to be found in the method by which value added is estimated in the building component of the construction sector (as distinct from the sector's installation of the machinery component). A 1963 survey of private investment indicated that the value added in building was 4.47 times the value of the construction materials used. From then on, the sum of the cif value of imported building materials and the value of locally produced building materials is multiplied by 4.47 and the result is taken as the value added in building. The value added within the construction sector in installing equipment is also estimated indirectly: it is assumed to be 30 per cent of the CIF value of imported heavy machinery. Indirect sources — such as exports and imports recorded by customs authorities — are, however, more reliable for some items than for others: In the case of customs returns, for example, exports of graphite fall in the first group and those of gems (large amounts of which are said to be smuggled out of the country, and Sri Lanka's new Plan that was released in November 1971 says that estimates of gems smuggled go as high as Rs 300 million a year) into the latter.

TABLE 2: PERCENTAGE SHARE IN GDP, 1970

Provisional Estimates for 1971

	Items Estimated Indirectly	Items Assumed to Grow at a Trend Rate	Items Estimated on the Basis of a General Circumstantial Evidence
Commodity production	12*	11	22
Construction	100	—	—
Service sectors	4	43	53
Total GDP	14	24	34

Note: * Does not include and rubber even though these are estimated primarily from customs returns. If these are included then 40 per cent of value added in the commodity sectors and 28 per cent of GDP are estimated indirectly.

(e) In obtaining the constant price series, a wide assortment of deflators is used. These are displayed in Appendix Table 2, and it will be clear from the list that the use of some of them is hardly appropriate in this context. The cost of living index, which figures frequently, is based on a 1950 survey of 455 households in the Colombo area.

The series compiled by the Department of Census and Statistics differs in many ways from the one prepared by the Central Bank.

(a) The most important difference in the concepts used by the two agencies is that, while the Central Bank assigns value added in the manufacturing processes of tea and rubber to the manufacturing sector, the Department of Census and Statistics retains the entire value added in tea and rubber in the agricultural sector's accounts.

(b) The Department's methods of estimating value added in a given sector often differ from those of the Central Bank. The building component of the construction sector provides an example. As noted above, the Central Bank multiplies the imports and domestic production of building materials by 4.47 to obtain value added by the construction sector. The Census Department proceeds in a different way: it first estimates value added in the government's construction work directly and also estimates the amount of building materials used in this work; from the total availability of building materials (imported and locally produced) it subtracts the amounts used by the government; the rest, which is assumed to have been used by the private sector, is doubled to obtain value added in private construction work; the total is then obtained by adding the government and private figures. It is hardly surprising, then, that the value added at current prices by the construction sector differs considerably in the two series (Table 3). Similarly, in estimating timber output, the Central Bank assumes a trend rate of growth whereas the Census Department estimates total limber output as 1½ times the output of timber on crown lands. The procedures used for estimating ownership of dwellings are also different but curiously, in this case, the figures of the two series follow each other very closely.

(c) Even the sources of primary data differ: for instance, in the case of the manufacturing sector (other than tea, rubber and cottage industries) the Census Department relies on such returns from registered units as are available with the Ministry of Industries and Fisheries whereas Central Bank relies on a special survey of selected manufacturing units. In 1970, this survey covered 132 firms.

(d) As Appendix Table 2 shows, the deflators used by the two agencies differ in many instances.

Apart from the real effects they have on Sri Lanka's economy, the numerous price distortions that characterise the economy and the wide fluctuations in

the prices of Sri Lanka's exports affect the meaningfulness of the national accounts also. The most significant difficulties arise because of the sharp changes in the international prices of tea, rubber, and coconut. In computing cross-country regressions or in constructing time-series models for individual countries, analysts most often use constant price series of GDP and its components rather than the series at current prices. Their expectation is that by doing so, they are removing the veil, are eliminating the effects of price increases, and are obtaining an account of the 'real' growth of the economy.

Now, the accounts at constant prices assure us that Sri Lanka's GDP has been growing at about 4.3 per cent in the last 10 years — a rate that is not unusually low in comparison with the rates at which other developing countries have been growing. However, this figure obscures the fact that, as the prices of Sri Lanka's major exports declined considerably in this period, net commodity availabilities in the economy grew much less than the accounts at constant prices indicate. For countries such as Sri Lanka, (in which foreign trade is a very large proportion of GDP and which have suffered huge losses in the terms of trade), the *constant* price series do *not* portray the evolution of commodity availabilities. For this reason, it is misleading to pool the constant price series of countries such as Sri Lanka with those of countries where foreign trade is not a significant proportion of total activities or which have not suffered severe losses in their terms of trade. Even though, nominally, the series for both sets of countries are at constant prices, the availabilities of goods and services are much better portrayed by the series of the one set of countries than of the other.

Furthermore, considering Sri Lanka's estimates themselves, the failure to allow for changes in the exchange rate and the progressive introduction of Foreign Exchange Entitlement Certificates[3] has dramatic effects on the estimates of gross domestic investment: a large part of the very impressive increase, of 45 per cent, in fixed investment during 1969 was directly attributable to the Certificates. This is so, partly because a significant proportion of Gross Domestic Investment consists of imported capital goods and partly because a large part of the rest is calculated on the basis of imports of capital goods.

The introduction of devices, such as the FEECs, can affect cross-country comparisons in other ways also. The current rage for devising and calculating 'performance criteria' for different countries can be used to illustrate the point. A favourite criterion is a ratio (such as that of Gross Domestic Savings to Gross Domestic Investment) which indicates the extent to which a country is helping itself. Now, gross domestic savings are calculated as the difference between gross domestic investment and the current account deficit. If imports of capital goods are converted at a higher rate than was the case in the past, gross domestic investment and the current account deficit are both increased by the same absolute amount. As the savings figure remains unchanged in absolute terms, the ratio of gross domestic savings to investment — the index of self-help that we are interested in — falls. To the extent that estimates for the non-imported component of investment are indirectly derived from the imports of capital goods the estimates of both gross investments and savings will increase, and the ratio between the two may increase, decrease, or remain unchanged.[4]

Table 1 indicates that, in some instances where estimates are made by contacting the production units, the compiling authorities uncritically accept the figures reported by many production units. This feature and its consequences are brought out most dramatically in estimates of gross investment by the public corporations. As the corporations are few in number and as each of them is owned directly by the government, one would expect that at least for these corporations unambiguous series would be available. Yet, towards the end of 1971, the Treasury and the Central Bank were using two widely different series for gross investments in these corporations — even though both agencies were using similar concepts of investment. The Treasury series is meant to cover financial years whereas the Central Bank series covers calendar years. This fact alone could hardly account for the large differences in the two series as given below. The fact is that, both the Treasury and the Central Bank accept uncritically the figures which the corporations report to them.

TABLE 3: VALUE ADDED IN CONSTRUCTION

(At current prices; factor cost; Rs million)

	1963	1964	1965	1966	1967	1968	1969
Central Bank							
Department of	285	306	286	317	380	509	676
Census and		(7.3)	(—6.3)	(10.4)	(19.8)	(33.9)	(26.9)
Statistics	356	383	381	412	470	560	696
		(7.5)	(0.0)	(7.8)	(14.3)	(19.1)	(24.3)

Note: Figures in parentheses give percent change over the preceding year.

The accounting systems in the corporations greatly differ, one from the other, and the corporations themselves probably add to this difference by using different concepts to report investment figures to the two agencies (Table 4).

This brief account — in which questions about the reliability or accuracy of the data have not even been touched — suggests a number of morals for users of national accounts.

(a) One should be extremely wary of reading much into small changes in items such as the Gross Domestic Product, Gross Domestic Investment and Gross Domestic Savings — aggregates which have become the subjects of close scrutiny in the current wave of macro regression models. This is particularly so for the years for which provisional accounts alone are available.

(b) In studying changes, rates of growth, etc, one should study changes in the commodity sectors separately from changes in the service sectors. Both the commodity sectors and the service sectors, in turn, should be further subdivided into items that are directly estimated, items that are indirectly estimated, and items for which trends have been assumed.

(c) As things stand at present, the constant price series for countries such as Sri Lanka obscures almost as much as it reveals — partly because of the somewhat doubtful relevance of many of the deflators used, and partly because of the wide fluctuations in export prices. Analysis of the changes in *GDP at constant prices* needs to be supplemented by estimates, however crude they may be, of changes in *net commodity availabilities*. One has

TABLE 4: GROSS FIXED INVESTMENTS IN PUBLIC CORPORATIONS

Treasury Series		Central Bank Series	
1965-55	210	1965	150
1966-67	435	1966	220
1967-68	406	1967	187
1968-69	563	1968	278
1969-70	610	1969	563
1970-71	708	1970	437

to be specially wary of pooling the data of countries such as Sri Lanka, with the data of countries over which the terms of trade movements do not cast such a long shadow .

The foregoing account suggests that pooling is dangerous for an additional reason. It often happens that one cannot formulate an unambiguous rule for putting the figures together, even in relation to the most elementary aggregates. Consider, for instance, the case of tea and rubber. Tea accounts for 55 per cent of Sri Lanka's exports and 10 per cent of its GDP. Because of its extremely perishable nature, there is no market for the green leaf of the tea plant. The leaf is processed on the estates and it leaves the estate as a 'manufactured' product. The Central Bank, as noted above, partitions the value added in tea production between the agricultural and manufacturing sectors in accordance with the procedure outlined in Appendix Table 1. The Department of Census and Statistics, on other hand, attributes the entire value added in tea growing and tea manufacturing to the agricultural sector. The case of natural rubber is no different: the Central Bank apportions the value added between agriculture and manufacturing, while the Department of Census and Statistics attributes the entire amount to the former. While the rationale for one convention may be no stronger than that for the other, the difference does — rather should, if the attitudes towards the national accounts were less cavalier — inconvenience the econometrician who is trying to 'explain cross- country variations in the structure of production or employment. He can either rely on the convention of the Department of Census and Statistics and assume that the 'manufacturing' sector accounts for about 9.5 per cent of Sri Lanka's GDP, or he can use the Central Bank's accounts as they are and assume that the share (at 13.5 per cent) is 45 per cent higher.

(d) The optimism of the time series enthusiast should be somewhat dampened by the fact that, even in the final accounts for a year, one-third of GDP (not counting tea and rubber) is estimated indirectly (i e, each item is taken as a multiple of other items) and about one-seventh is simply assumed to grow at a trend rate. The purpose of drawing attention to the role which trends and indirect estimations play, is not to assert that these procedures render the accounts unreliable. Indeed, as has been noted above, in many cases indirect sources may well be very appropriate. But, unless he is careful, the time series enthusiast may well find himself regressing one variable on another variable from which the first was estimated to start with! For instance he may find himself regressing value added in construction on the imports and domestic production of construction materials. In such cases, the regressions will accomplish no more than the discovery of the assumptions used by the agencies responsible for putting the accounts together, and the impressive t-ratios and co-efficients of determination may record no more than the fact that these agencies have used these assumptions consistently for a number of years!

Notes

1 UNCTAD, "Trade Prospects and Capital Needs of Developing Countries", United Nations, New York 1968, contains time series models for eighteen countries. ECAFE, "Feasible Growth and Trade Gap Projections in the Ecafe Region", Bangkok, 1968, contains similar time series models for eight countries other than Thailand. The model for Thailand is the same in the two volumes. For additional examples, see my review "The Use of Macro-Economic Regression Models of Developing Countries for Forecasts and Policy Prescription", *Oxford Economic Papers*, Volume 24, No 1, March 1972, pp 1-35.

2 A host of examples can be cited: a few representative ones will have to suffice. Studies that use cross-section and time series data for analyzing patterns of output growth are exemplified by the following: H B Chenery, "Patterns of Industrial Growth", *American Economic Review*, 1960, pp 624-654;
— and T Watanabe, "International Comparisons of the Structure of Production", *Econometrica*, 1958, Volume 26, pp 487-521.
— and Lance Taylor, "Development Patterns: Among Countries and Over Time", *Review of Economics and Statistics*, Vol L, 1968, pp 391-416.
M J Bruton, "Productivity Growth in Latin America", *American Economic Review*, Vol LVII, 1967, pp 1099-1117.
D B Keesing, "Population and Industrial Development: Some Evidence from Trade Patterns", *American Economic Review*, Vol LVIII, 1968, pp 448-455.
The following two represent studies using such data for making inferences about overall growth strategies:
P M Sommers and D B Suits, "A Cross Section Model of Economic Growth", *Review of Economics and Statistics*, Vol LIII, 1971, pp 121-128.
P A Yotopoulos and L J Lau, "A Test for Unbalanced Growth", *Review of Economics and Statistics*, Vol 41, 1970, pp 376-384.
Apart from the well known work of Houthakker and Modigliani, the following are typical of the numerous studies that utilize cross-country and time series data for analysing savings-income relationships:
L Landau, "Differences in Saving Ratios Among Latin American Countries", PhD Thesis, Harvard University, 1969.
D W Johnson and J Sy Chin, "The Saving-Income Relation in Underdeveloped Countries", *Economic Journal*, Vol LXXVIII, 1968, pp 321-333.
S K Singh, "The Determinants of Aggregate Saving", IBRD Economic Staff Working Paper No 127, March 1972.

3 Imports under the Foreign Exchange Entitlement Certificates come in at Rs 9.2 to the dollar, while other imports come in at the official exchange rate of Rs 5.95 to the dollar. Over the years, imports of all capital goods have been progressively put on the FEEC rate. Imoprts of a few major consumer items, such as rice, continue to be allowed at the official rate.

4 A simple numerical example will clarify the point. Assume that Column 1 depicts the starting position. Assume that FEEC — type device is introduced and imports of capital goods are exchanged at a rate that is twice as high as the official rate. The latter continues to apply to other imports and to all exports. Column 2 then depicts the resulting situation. Column 3 depicts the situation in which the estimate of the non-imported component of investment is derived in part from the imports of capital goods so that the domestic component of investment increases by, say, one-half of the increase in the value of imported capital goods.

	Value in Rupees		
Gross Domestic Investment	100	150	175
(a) Imported capital goods	50	100	100
(b) Domestic component	50	50	75
Exports	150	150	150
Imports	200	250	250
(a) Capital goods	50	100	100
(b) Others	150	150	150
Current Account Deficit	50	100	100
Gross Domestic Savings	50	50	75
GDS/GDI	0.5	0.3	0.43

Back with a bigger appetite for cargo.

• 76 tonnes, instead of 60, on our twice-weekly all-cargo services.

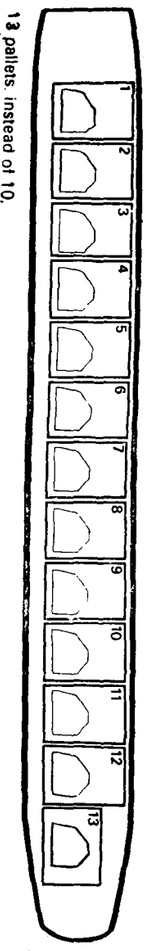
• Plus new all-cargo service to Hong Kong and Tokyo every week.

• Ex Bombay

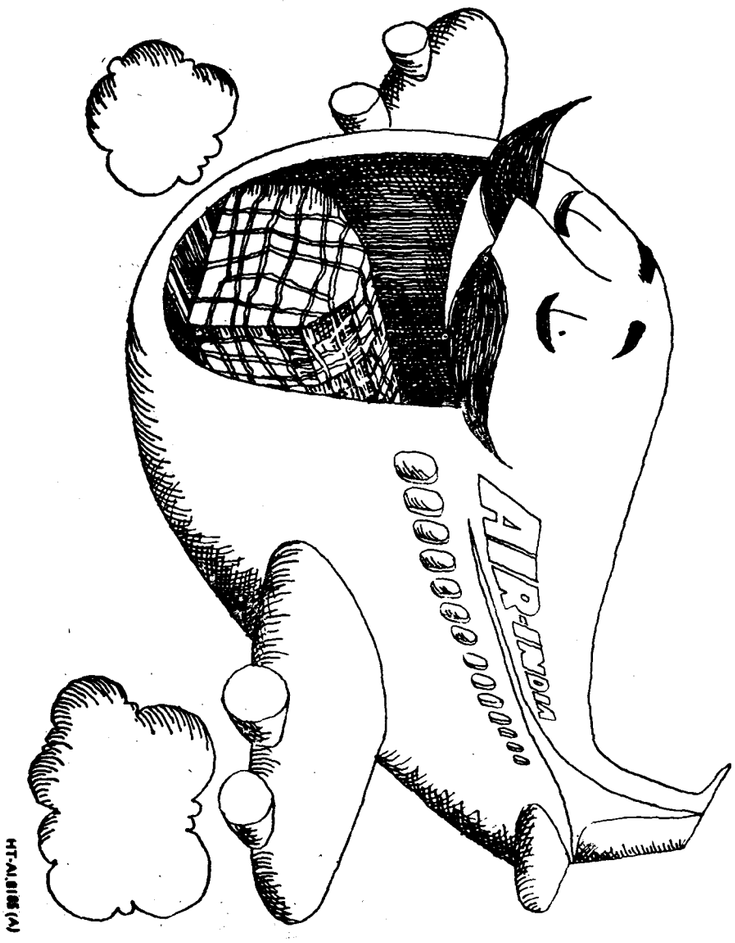
Our 38 regular weekly flights, with a total cargo capacity of 290 tonnes, are back again. Besides, we are increasing the space on our all-cargo services by over 25% and extending it right up to the Far East once a week.

Effective April 2, 1975

13 pallets instead of 10, to increase the capacity by 8 tonnes from April 2.



AIR-INDIA CARGO



1	Direct Estimation: Producers or Users Sampled by a Standard Questionnaire 2	Direct Estimation: Compiler Automatically Accepts Answers Furnished in Documents 3	Indirect Estimation 4	A Trend is Assumed: Value in Current Prices Increased by Rate of Growth Population 5	A Trend is Assumed: Total Quantity is Increased at Rate of Growth of Population 6	Method Unclear 7	Special Assumption for items 8	Provisional Estimate for 1971 9
I Agriculture, Forestry Hunting and Fishing								
1 Tea and Rubber (growing)	x		Customs returns				VAA-Value of labour in growing *plus* (½ of export taxes) *plus* (½ of "profits")	(4)
2 *Coconuts*								
(a) Growing								
(i) Exported			Nut equivalent of exports				Export taxes divided equally between growing and manufacturing	(4)
(ii) Domestically consumed					1963			(4)
(b) Cadjans				1953				—
(c) Coconut husks			Same as number of nuts from item 2 (a)				Value of husk - 7c; 10% of husks wasted; VAA-*70% of value of* husks	—
(d) Toddy	x							(4)
3 *Minor Export Crops*			Customs returns					(4)
4 *Paddy*								(4)
5 *Subsidiary Food Crops*	x							
(i) Grains, pulses and root crops	x						Eye estimates of gram sevaks	(5)
(ii) Vegetables and fruit, betel and arcenut							Price per unit of consumption is updated	(4)
(iii) Other agricultural crops			4% of value of other crops					(4)
6 *Govt. Agricultural Services*	x							
7 *Forestry*								
(a) Firewood								
(i) Domestically consumed				1953				
(ii) Used by industrial establishments			% of output of selected industries					
(b) Timber				1953				(5)
(i) Household Furniture				½% of 7 (b, i)				
(ii) Govt. and business furniture				% of value of buildings constructed				
(iii) Used in home building				No of tea chest-lbs.				
(iv) Plywood used in tea chest				of tea exported/ 115				
(v) Other plywood							*Price per unit of*	
(vi) Electric posts	x							
(vii) Safety matches	x							
(viii) Cane furniture	x				x		Mixture of methods for different items	(5)
8 *Livestock*			x		1963 x			
9 *Fishing*							x	(5)

(Continued)

Appendix Table 1 (Continued)

1	2	3	4	5	6	7	8	9
II. Mining and Quarrying								
1 *Salt*	x							(4)
2 *Graphite*			Customs returns					(4)
3 *Limestone, clay, glass, sand, felspar*							x	Same rate of growth as construction
4 *Metal, Sands, lime, cabook brick*			% of value of buildings constructed					
5 *Ileminite and gems*			Customs returns					1970 output
III. Manufacturing								
1 *Tea and Rubber*	x						VAA-(Value of labour in manufacuring) *plus* ($\frac{1}{2}$ of export taxes) *plus* $\frac{1}{2}$ of "profits")	
2 *Coconuts*								
(i) Coconut oil						x	Figure is increased by 5% to allow for unregistered millers	
(ii) Dessicated coconut						x		(4)
(iii) Poonac						x		(4)
3 *Factory Industries*	x [7]							(4) For output of public corporations and (5) for private factories: assumed that private sector output will not change as import allocations were kept at 1969 level.
4. *Cottage Industries*						x		
(i) Textiles								25% increase
(ii) Other					1953		Adjusted for changes in wages since 1953	
IV. Construction								
(a) Building			4.47 times (CIF value of imported building materials *plus* locally produced building [2] materials)				To allow for 3 months lag: $\frac{1}{4}$ of last year's and 3/4 of this year's imports are used	Rate of growth of cement output
(b) Installation of machinery			30% of CIF value of imported heavy machinery only				Other imported machinery and locally produced machinery is not included	Same level as 1970
V. Electricity, Gas Drainage and Water Supply		x						Growth rate same as that of 1960-1970
VI. Transport, Communication and Warehousing								
(a) Railway, CTB, Air Ceylon, P and T, Port Commission								
(b) Taxis, lorries and road haulage		x	(No. of vehicles) x (estimated net earnings per vehicle)					(5)
(c) Other Transport		x	30% of (Retail value of imports *minus* CIF value of imports) plus 30% of (Retail value of domestically produced goods *minus* their exfactory prices) [3]				Price differences are reduced by differing ratios to correspond to value added. Coverage of goods is unclear	
VII. Wholesale and Retail Trade			70% of (Retail value of imports *minus* CIF value of imports) *plus* 70% of (Retail value domestically produced goods minus exfactory (prices)3				Price differences are reduced by differing ratios to correspond to value added. Coverage of goods is unclear.	
VIII. Banking and Insurance								(5)
IX. Ownership of Dwelling								
(a) Rents of urban dwellings								
(i) Colombo		Assessed value of buildings obtained from local authorities	30% of value of buildings in Colombo area.				30% allowance for under-estimation. It seems that the value of buildings is assumed to grow more or less by a trend rate — at least in some years.	Trend rate of growth
(ii) Municipalities		Assessed value of buildings obtained from local authorities	20% of value of buildings in other municipalities					
(iii) Urban councils		,,	15% of value of buildings in urban councils					
(iv) Town councils		,,	10% of value of buildings in town councils					
(b) Rural rents			Rural rent per head is taken as 20% of rents per head in urban areas except Colombo					
(c) Rents of urban and rural commercial buildings			25% of total urban and rural rents					
X. Public Administration and Defence		x						Trend rate of growth
XI. Services								Trend rate of growth
(a) Education, health, broadcasting, matereology								
(b) Professional and institutional services		Data from Department of Inland Revenue						
(c) Other services				1953			Adjusted for changes in wages since 1953	

For notes, see Page 2151.

ECONOMIC AND POLITICAL WEEKLY

ECONOMIC AND POLITICAL WEEKLY

Appendix Table 2

DEFLATORS USED FOR OBTAINING

Sector/Item:		Deflator
1 Agriculture, forestry and fishing	Tea	Output index
	Rubber	Output index
	Coconut	Output index
	Toddy	Output index
	Coconut husks	Output index
	Cadjans	Output index
	Subsidiary crops	Cost of living index: subsidiary food crops
	Fruits and vegetables	Cost of living index: fruits and vegetables
	Livestock	Output index
	Cotton	Output index
	Tobacco	Cost of living index: tobacco
	Betel and arecanuts	Cost of living index: betel and arecanut
	Sugar	Output index
	Minor export crops	Export volume index
	Government agricultural services	Wage index
	Planting and replanting	Wage index of workers in agriculture
	Fishing	Output index
	Paddy	Output index
	Medicinal herbs	Population index
	Spices-local consumption	Cost of living index: vegetables
	Hides	Output index
	Agricultural services of Corporations	Output index
	Forestry	Wage rate index of workers in agriculture
2 Mining and quarrying		Wage rate index for workers in industry and commerce
3 Manufacturing		
(a) Manufacturing		Cost of living index: domestic group (weighted index of ex-factory prices)
(b) Tea, rubber and coconut-processing		Output index
4 Construction		Cost of living index: domestic group (Cost of living index and an index of cost of constructing a unit of floor space)
5 Electricity, water and sanitary services		Wage rate index of Govt. technical and clerical employees. (For electricity and gas: indices of electricity and gas produced)
6 Transport, storage and communication		
Railway		Wage rate index of all Central Government employees.
Ceylon Transport Board		Wage rate index for workers in industry and commerce.
Air Ceylon		Wage rate index of all Central Government employees
Post and Telecommunication		Wage rate index of all Central Government employees
Port Commission		Wage rate index for workers in industry and commerce
Motor cars and lorries		Indices of passenger mileage of omnibus and railway services.
	(Passenger Transport)	Index of passengers carried by Air Ceylon.
		Nos of hiring cars and private cars.
	(Goods Transport)	Index of goods train mileage, Index based on the No of lorries, quantity index of ships entered and cleared at all ports of Ceylon.
	(Post and Telecommunication)	Combined weighted index of the No of letters, parcels and telephone calls made.
7 Wholesale and retail trade		Cost of living index: Domestic Group (Wage rate index for workers in industry and commerce)
8 Banking, insurance		Wage rate index for workers in industry and commerce.
9 Ownership of dwellings		Cost of living index: domestic group (index of urban and rural rental workers)
10 Public administration and defence		Wage rate index of all Central government employees. (index of No of employees).
11 Services		Cost of living index.
Education and health		Indices of the No of employees in these services.
Other Govt services		Wage rate index of Govt employees
Domestic and hotel services		Colombo cost of living index
Professional services not subject to tax		Wage rate index
Personal services		Wage rate index

(1) The deflators used by the Central Bank are shown first. If the deflators used by the Department of Census and Statistics differ from the ones used by the Central Bank, they are shown in parentheses.

Entry in table indicates base year for which consumption (e g consumption per head) was originally estimated.

2 Basis of the 4.47 multiplier: Survey of Private Investment, 1963, Central Bank.

3 Basis of (30:70) ratio: Survey of Distribution, 1951, Department of Census and Statistics.

4 The same basis as for final estimates except that data for first eight months was used along with the assumption that the share of value added in the last four months in the year's total will be the same as in 1970.

5 *Ad hoc* assumption on the basis of general, circumstantial evidence.

6 The Central Bank figures for "ownership of dwellings" very closely parallel the figures of the Census Department. The latter obtained the average rents per housing unit from the Census of Population and Housing, 1963, and the Socio-Economic Survey, 1969. For the intervening years the Department assumed that average rental values grew at a fixed rate. The number of housing units was also estimated from that Housing Census of 1963 and the estimate is updated in a manner that is not very clear. The per cent increase over the previous year is value added from "ownership of dwellings" is as follows:

	Department of Census and Statistics	Central Bank
1964	7.5	5.7
1965	7.3	6.9
1966	7.2	6.0
1967	7.3	6.0
1968	8.1	9.9
1969	7.9	6.2

7 In 1970, 132 out of 1,952 registered establishments were canvassed.

Source: Basic information for table collected from Central Bank of Sri Lanka.

FROM THE CHAIR

Association of Synthetic Fibre Industry

Speech of the President, Lala Sohanlal Singhania

THE following are excerpts from the Speech of Lala Sohanlal Singhania, President, Association of Synthetic Fibre Industry, at the Second Annual General Meeting of the Association held on 23rd December 1974 in Taj Mahal Hotel, Bombay.

MR BAGCHI, DISTINGUISHED GUESTS AND FRIENDS:

It is a privilege and pleasure to be amidst you all at this annual get-together of our Association. I am particularly indebted to Mr. Bagchi for having kindly accepted to join us in the meeting despite other heavy pre-occupations.

Before dealing with the synthetic fibre industry, let me dwell briefly on the general world economic trend.

ECONOMIC HORIZON

As you all know, today even the economically and industrially advanced countries are victims of inflationary pressures, the genesis of which could be traced to the energy crisis resulting from the cut and squeeze in crude output and manifold increase in its prices. When the richest nations are under the grip of severe economic malaise, the plight of developing countries like ours could only be worse. During the year, inflation in our economy assumed massive proportion with the result that the prices of all commodities — consumer as well as industrial — scaled new heights and the wholesale price index registered a rise of over 20 per cent in one year. In order to arrest this trend, the Government did venture upon some drastic measures, i e, credit curb, compulsory deposit of additional wages, drive against hoarding of essential goods, unauthorised foreign exchange dealings, smuggling, black money, etc, and it is gratifying to note that these steps did succeed to some extent in checking the price rise.

Coming to the case of our industry, I must say that its plight has been



Mr Lala Sohanlal Singhania

pathetic for sometime past. Acute shortage of raw material, unimaginative raw material pricing policies, heavy excise burden, high power tariff rates, drastic power cuts, etc, were the main hurdles with which the industry had to live.

INDUSTRY'S PERFORMANCE IN 1973-74

During the year, there was no indigenous production of the raw material for nylon industry, i e, caprolactum, and the industry had to depend on 100 per cent import. For want of adequate raw material — reasons for which are explained subsequently — there existed an idle capacity of about 35-40 per cent. Compared to an output of about 15000 tonnes of nylon filament including tyre cord during 1972-73 against an installed capacity of 14800 tonnes, the output during the year was about 11600 tonnes though the licensed capacity was higher at 17764 tonnes. The same was the case in polyester fibre, production of which during 1973-74 was about 7900 tonnes against 8000 in 1972-73, in spite of two more units going into production during 1973-74. During the current year i e 1974-75 also the declining trend is continuing as can be seen from the nylon yarn output in the first half being just 5200 tonnes as against about 6000 tonnes during the corresponding period of 1973-74.

RAW MATERIAL SUPPLY POSITION AND PRICE

As indicated earlier the industry could not work to full capacity during 1973-74 for want of raw material. As against the minimum requirement of about 20000 tonnes, the State Trading Corporation — through which the import is canalised — could procure and supply only about 11000 tonnes. It cannot be denied that there was a scarcity of caprolactum in the world market during 1973-74. Although the industry had alerted the Government and the STC about the impending world shortage, STC was not quick enough to take the opportunity to enter into long-term firm commitments for supply of the material in bulk by overseas producers. In the meanwhile other countries quickly cornered whatever meagre quantities that were available. As can be expect-

ed, the price of the commodity started rising rapidly and steadily and touched the dizzy height of $ 2400-2600 per tonne from $ 450-500 at the beginning of the year. Even at that time the STC did not rise to the occasion and try to get whatever was available. In short, the industry was virtually starved of its raw material.

Even after commencement of production of caprolactum by the Gujarat State Fertilizers Company Ltd during August/September 1974 and international prices coming down to about $ 1000-1200, the position has not changed. At a time when the nylon spinning industry is in deep economic ills, the GSFC has fixed the price of caprolactum arbitrarily at a very high figure. Added to this, the industry has to pay excise duty at a fantastic rate of 50 per cent *ad valorem* on the indigenous caprolactum. With this excise and other incidental expenses the price of GSFC caprolactum was around Rs 41,000/- per tonne against the cost of imported product at about Rs 18,000/-. With the ceaseless efforts by the Association, only a marginal reduction of about 12½ has been announced by the GSFC with effect from 1st December 1974 and the gross price still remains at about Rs 36 per kg. I sincerely hope that the GSFC will scale down their prices at least to the level of Rs 16 per kg which will mean a gross price around Rs 25 per kg without which I am afraid the industry will not be able to work to full capacity without incurring loss.

Excise Duty

Instead of helping to curb undue consumption, the present high excise burden on nylon yarn, fabrics and the raw material (caprolactum) is in fact strangling the natural growth and development of this young and promising industry. You will be surprised to know that the excise duty on nylon yarn has been progressively raised to the level of 700% in just over a decade. This apart there is *ad valorem* excise at the rate of 15% on fabrics. To add fuel to fire, an unrealistically high excise duty at the rate of 50% *ad valorem* has been imposed on the already inflated price of indigenous caprolactum. In short, the natural growth and development of the industry is arrested mainly because of unimaginative excise impost at various stages.

Price and Distribution

I am sure all of you will agree that selling price of any commodity should basically depend upon the cost of inputs. In view of the steep rise in the cost of raw material coupled with crushing excise burden on the one side and a falling market on the other, the industry has been in doldrums for sometime past. Lack of demand and consequential steep fall in the market prices has nullified the working of the voluntary agreement on price and distribution, which was in existence from September 1973 onwards. The sudden decline in the market has however upset the whole equilibrium and a state of panic and uncertainty is casting a gloom on the industry. In the present unremunerative market prices, the industry is in fact incurring losses. In order to restore normalcy in the industry, it is necessary that the price of the GSFC caprolactum should be scaled down substantially with simultaneous withdrawal of excise duty on the raw material, caprolactum.

High Cost of Nylon *Vis-a-Vis* Smuggling

You will be surprised to known that governmental imposts like excise duties and other taxes alone account for about 50% of the cost of the nylon/synthetic fabrics at the consumer end which is mainly responsible for the high cost of nylon/synthetic fabrics. I am afraid that the common man in our country can hardly afford to buy nylon/synthetic fabrics even it offered at a price equivalent to the government impost only. The high incidence of excise is the prime source of encouragement for smugglers of nylon and other synthetic goods into our country. It is heartening to note that of late the Government have come down with a heavy hand on such antisocial elements and let us hope the Government will be able to eradicate this menace for all time to come. But I may hasten to add here that punitive actions alone will not perhaps be able to put an end to this highly profitable underground activity. Simultaneously the Government should slash the excise duties at all levels, i e, on caprolactum, yarn/fibres and fabrics so as to enable the industry to offer its products somewhat on par with the international prices.

Future Prospects

Ours is a vast country with its population getting multiplied rapidly. Clothing the teeming millions should be a grave concern for the Government. If past performance is any guide, it can be safely predicted that cotton alone is not able to provide the bare minimum clothing. Even with scientific cultivation and usage of improved seed varieties, there is no significant rise in the cotton output which is stagnant at around 62 lakh bales per annum. The Planning Commission had estimated a target of 17.5 metres per capita by the end of the fifth plan period as against the current per capita level of about 14.1 metres. In any case there is no dispute that the cloth output has to be increased and if we are going to bridge the gap, it would be necessary to step up cotton output by nearly 50%, which in the context of what has been stated above is impossible. Thus logically the additional requirements will have to be met by man-made fibres — cellulosics and synthetics. Here again, the synthetics will definitely have an edge over cellulosics because they are not dependent upon land or forest-based raw materials but are based on patroleum crude. When the Government is bent upon the speedy growth of the oil and pertochemical industries and consumption of crude for the manufacture of synthetic fibre is only about 0.4% of the world crude production, there is no reason why this industry, which could be easily developed simultaneously, should not be given its rightful scope for expansion.

Fabrication of Machinery and R and D

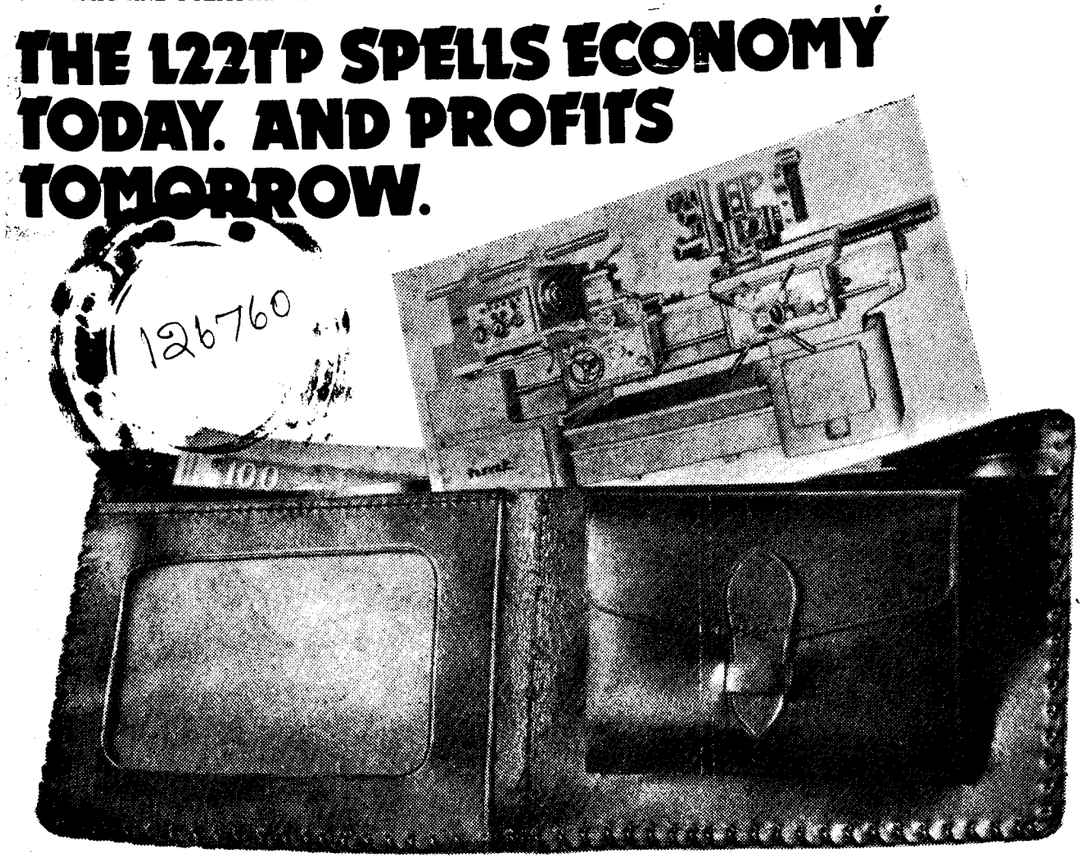
From the stage of 100% dependence on imported machinery and know-how, the industry has not only been able to fabricate quite a substantial part of the machinery but of late it has even procured certain overseas orders for setting up nylon plants. In other words, we are now in a position to export knowhow as well as plant and machinery. The industry is fully alive to the developments taking place in this field in developed countries and it is not lagging behind. All the indigenous units are spending a lot of their resources — man and money — for constant research and development with a view to improve the quality of their products.

Conclusion

In brief, what is urgently needed is to allow the industry to utilise its full capacity by assured supply of raw material at reasonable prices with a simultaneous reduction of excise imposts on the raw material and the finished product. This should be followed by grant of permission to expand by raising the unit capacities to the international levels or by creation of few more units. In the case of new units however there would be a long gestation period from conception to commercialisation. As such it would be prudent if the existing units are allowed to expand to the standard international levels of capacity, so as to make them techno-economically viable.

Thank you.

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



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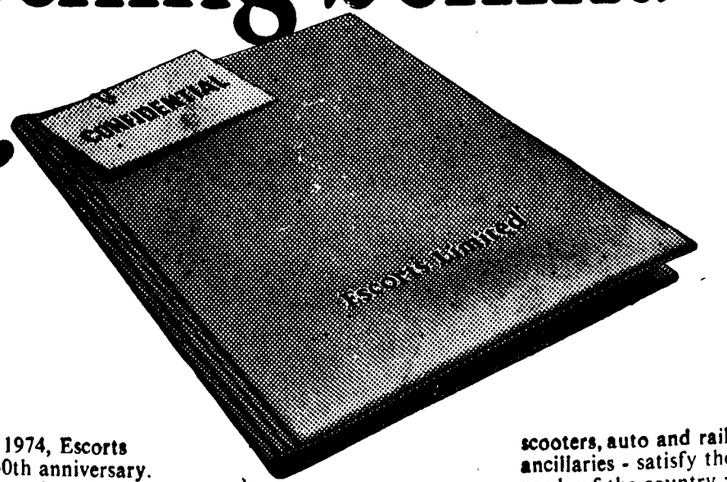
Industry: .....

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The Escorts story. There must be something behind it all.



In October 1974, Escorts completed its 30th anniversary. To mark this occasion, the people of Escorts are doing a little introspection. Asking themselves some searching questions.

Looking back: Just 30 years ago, Escorts started as a small agency house. Today it is playing a vital role in enlarging the country's agricultural and industrial base. And the Escorts fraternity now includes over 10,000 shareholders, 6000 workers and over 1500 small scale ancillary units making various components - sharing the fruits of success.

Where did all this success come from ?

The answers

Escorts is no longer just the genius of one or two men. It is a conglomerate of talents. Of a group of enlightened people. They have been able to motivate and spur the company to great achievements.

Escorts has never made anything fancy. There, perhaps, lies the secret of its continuous growth. All Escorts products - agricultural and industrial tractors, motorcycles and scooters, auto and railway ancillaries - satisfy the core needs of the country : Agriculture, Transport, Industry. Growth, dictated by the needs of the people and in step with national objectives.

Escorts has been able to project itself into the future. Anticipating tomorrow's needs. Researching and developing new, improved concepts.

And finally, there's that undefinable something - call it fire, genius, madness - of people in Escorts, which refuses to be confined; that transforms everything that comes within its ken.

30 years. Our investment for the future.